

ANALYSIS
OF
DOWNTOWN BERKELEY'S RETAIL,
OFFICE, AND RESIDENTIAL MARKETS

Prepared for:
City of Berkeley

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY
DEC 7 1988
UNIVERSITY OF CALIFORNIA

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November, 1985

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The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial data. This includes not only sales and purchases but also expenses and income. The second part of the document provides a detailed breakdown of the company's revenue for the quarter. It shows that sales have increased by 15% compared to the previous quarter, which is a positive trend. However, it also notes that expenses have increased by 10%, which has slightly reduced the overall profit margin. The third part of the document discusses the company's financial position at the end of the quarter. It shows that the company is in a strong financial position, with a healthy cash flow and a low level of debt. The fourth part of the document provides a summary of the company's performance for the quarter. It concludes that the company has achieved its goals for the quarter and is well-positioned for continued growth in the future.

Summary

The summary of the document highlights the key findings of the financial review. It states that the company has achieved a 15% increase in sales, which is a significant accomplishment. It also notes that the company's financial position is strong, with a healthy cash flow and a low level of debt. The document concludes by stating that the company is well-positioned for continued growth in the future.

INTRODUCTION

The purpose of this report is to present the findings and conclusions resulting from a market analysis of downtown Berkeley. The study was conducted by Lynn Sedway & Associates in conjunction with an extensive planning process to develop a Downtown Plan for the City of Berkeley. The process has involved City Planning Department staff reports and surveys as well as input from a Downtown Plan Advisory Committee comprised of University, neighborhood, Planning Commission, and at-large representatives. The goal of the planning process is to adopt a plan for downtown Berkeley which sets forth goals, policies, and an implementation program for the area.

This report analyzes the retail, office, and residential markets in downtown Berkeley. The retail portion of the report defines downtown Berkeley's market area, describes the market profile, analyzes retail sales trends for Berkeley as a whole, estimates leakage of potential citywide sales to retail centers outside of Berkeley, and describes the composition of sales in downtown Berkeley. The report also includes a discussion of results from a series of interviews of major national retailers and other local developers. The office market analysis portion summarizes findings from previous studies, describes Berkeley's current market conditions, outlines future known additions to supply, and provides an estimate of future demand for office space in downtown Berkeley.

The residential market analysis is designed to provide an overview of downtown development potential. It is not intended to be a full-scale market analysis due to limited resources available for this study.

The report concludes with a summary of findings and implications for the Downtown Plan.

RETAIL MARKET ANALYSIS

Overview

The retail market in the City of Berkeley and its downtown is the subject of wide conjecture regarding its health, its role in the Bay Area economy, and its prospects for the future. Interestingly, people from vastly different walks of life share many common perceptions, such as that "nobody shops in Berkeley." Another is that Berkeley's downtown is moribund, that it cannot compete even against the retail areas in its own neighborhoods, to say nothing of the regional competition.

Research conducted for this study indicated, however, that much of what is commonly assumed about Berkeley is misconceived. Both the City's overall and downtown retail markets are reasonably healthy, albeit with a different complexion from that of typical California communities. Most significantly, Berkeley shoppers seem unwilling to patronize the large general-merchandise department stores that dominate sales in many cities. With the recent closing of Hink's, J.C. Penney is the only remaining major department store downtown.

Without visible anchors, it is easy to believe that Berkeley is not a shopping town. But people do shop in Berkeley — residents and workers alike — the major difference being that they seem to prefer smaller specialty stores.

Moreover, in many ways Berkeley's central business district fulfills the traditional downtown role by providing a focus for the City's retail market. Equally important, the downtown in Berkeley contributes just as significantly to the City as other downtowns analyzed in this study contribute to their respective city.

Market Profile

Income and demographic characteristics of Berkeley, Alameda County, and the SMSA from 1980 Census are highlighted in Table I. As shown, these figures indicate that Berkeley is characterized by relatively small households (2.10 persons per household) compared with Alameda County (2.52 per household) and the SMSA (2.48 per household).

TABLE I
SELECTED DEMOGRAPHIC CHARACTERISTICS

	<u>Berkeley</u>	<u>Alameda County</u>	<u>San Francisco- Oakland SMSA</u>
Population ¹	103,328	1,105,379	3,250,630
Number of Households	53,837	427,372	1,282,689
Average Household Size ²	2.10	2.52	2.48
Median Household Income	\$13,506	\$18,700	\$20,017
Median Family Income	\$20,360	\$22,863	\$24,648
Per Capita Income	\$8,461	\$8,657	\$9,593
Median Age	29.1	30.7	32.3
% Owner-Occupied Units	38%	53%	56%
% Renter-Occupied Units	62%	47%	44%

¹ Population includes people in group quarters (e.g., dorms).

² Average household size is 1980 population minus group quarter population, divided by number of households.

Source: 1980 Census; Lynn Sedway & Associates.

Since Berkeley's households are smaller than those in Alameda County and the SMSA, it is not surprising that median household incomes are substantially lower — \$13,506 for Berkeley, \$18,700 for Alameda County, and \$20,017 for the SMSA. In a community like Berkeley with small households, per capita income provides a more accurate indicator of relative affluence. Berkeley's 1980 per capita income, \$8,461, was similar to Alameda County (\$8,657), and 13 percent less than the SMSA (\$9,593).

The slightly younger median age in Berkeley (29.1 years) reflects its student population. Similarly, Berkeley's housing unit tenure reflects the community's demographic composition. Approximately 62 percent of Berkeley's units were occupied by renters in 1980, compared with 47 percent for Alameda County and 44 percent for the SMSA.

In summary, Berkeley's population is characterized by younger, smaller households who rent their housing. Income levels in Berkeley reflect the age and student status of some of its residents; however, this factor is offset by other, relatively affluent households, resulting in a per capita income comparable to SMSA levels.

Citywide Retail Sales Trends

Taxable retail sales in Berkeley amounted to \$489 million in 1984, as shown in Table 2. This figure includes all taxable sales in conventional retail stores. Total taxable sales, which also includes taxable sales at other types of outlets such as services and "factory-direct" warehouses, increased the total to \$693 million.¹

Taxable retail sales have more than doubled since 1970 in nominal terms (non-deflated dollars) as shown graphically in Figure 1a. In real terms, however, total sales growth during the period was about 19 percent; per capita sales growth was over 31 percent. In comparison, statewide real per capita growth was about 25 percent. Berkeley's growth rate has been partially enhanced by growth in office workers and students.

¹ These figures exclude nontaxable sales (primarily food for home consumption and prescription drugs). These nontaxable sales were estimated by Lynn Sedway & Associates to be \$70 million in 1984.

TABLE 2
TAXABLE SALES STATISTICS
BERKELEY AND RELATIVE TO STATE
1970, 1974, 1979-1984

Total Permits and Sales, RETAIL ONLY

YEAR	BERKELEY PERMITS	PERCENT CHANGE	BERKELEY TAXABLE SALES(c)	PERCENT CHANGE	DEFLATED(a) TO 1970	BERKELEY PERCENT CHANGE	STATE PERCENT CHANGE(b)	BERKELEY AVERAGE SALES PER OUTLET (NOMINAL)	BERKELEY PERCENT CHANGE	STATE AVERAGE SALES PER OUTLET (NOMINAL)	STATE PERCENT CHANGE
1970	992	--	\$149,146	--	\$149,146	--	--	\$150.35	--	\$167.74	--
1974	1,056	6.5%	\$201,482	35.1%	\$161,576	8.3%	21.0%	\$190.80	26.9%	\$250.85	49.5%
1979	1,102	4.4%	\$335,977	66.8%	\$181,296	12.2%	16.8%	\$304.88	59.8%	\$410.10	63.5%
1980	1,124	2.0%	\$356,744	6.2%	\$167,048	-7.9%	-8.4%	\$317.39	4.1%	\$430.29	4.9%
1981	1,146	2.0%	\$398,626	11.7%	\$165,451	-1.0%	-6.1%	\$347.84	9.6%	\$455.49	5.9%
1982	1,201	4.8%	\$410,997	3.1%	\$158,645	-4.1%	-8.6%	\$342.21	-1.6%	\$443.47	-2.6%
1983	1,217	1.3%	\$447,405	8.9%	\$171,271	8.0%	8.2%	\$367.63	7.4%	\$485.39	9.5%
1984	1,254	3.0%	\$488,830	9.3%	\$177,617	3.7%	4.3%	\$389.82	6.0%	\$527.83	8.7%

Total Permits and Sales, ALL OUTLETS

YEAR	BERKELEY PERMITS	PERCENT CHANGE	BERKELEY TAXABLE SALES(c)	PERCENT CHANGE	DEFLATED(a) TO 1970	BERKELEY PERCENT CHANGE	STATE PERCENT CHANGE(b)	BERKELEY AVERAGE SALES PER OUTLET (NOMINAL)	PERCENT CHANGE	STATE AVERAGE SALES PER OUTLET (NOMINAL)	PERCENT CHANGE
1970	2,457	--	\$218,434	--	\$218,434	--	--	\$88.90	--	\$101.28	--
1974	2,930	19.3%	\$292,233	33.8%	\$234,353	7.3%	20.7%	\$99.74	12.2%	\$138.09	36.3%
1979	3,562	21.6%	\$482,484	65.1%	\$260,353	11.1%	17.2%	\$135.45	35.8%	\$205.06	48.5%
1980	3,568	0.2%	\$522,637	8.3%	\$244,729	-6.0%	-8.0%	\$146.48	8.1%	\$211.91	3.3%
1981	3,615	1.3%	\$576,815	10.4%	\$239,409	-2.2%	-5.4%	\$159.56	8.9%	\$222.22	4.9%
1982	3,848	6.4%	\$591,399	2.5%	\$228,280	-4.6%	-9.2%	\$153.69	-3.7%	\$208.69	-6.1%
1983	3,966	3.1%	\$637,371	7.8%	\$243,992	6.9%	6.7%	\$160.71	4.6%	\$221.51	6.1%
1984	4,188	5.6%	\$693,266	8.8%	\$251,899	3.2%	6.8%	\$165.54	3.0%	\$247.56	11.8%

(a) Deflated using S.F.-Oakland SMSA C.P.I. for Urban Consumers; all C.P.I. figures are annual average, except 1984, which is as of June 1984.

(b) State figures are real per capita sales, deflated as above.

(c) Expressed in thousands of dollars.

Source: State Board of Equalization; Lynn Sedway and Associates

(gl6berk)

FIGURE 1A

TAXABLE RETAIL SALES STORES ONLY

BERKELEY, 1970-84

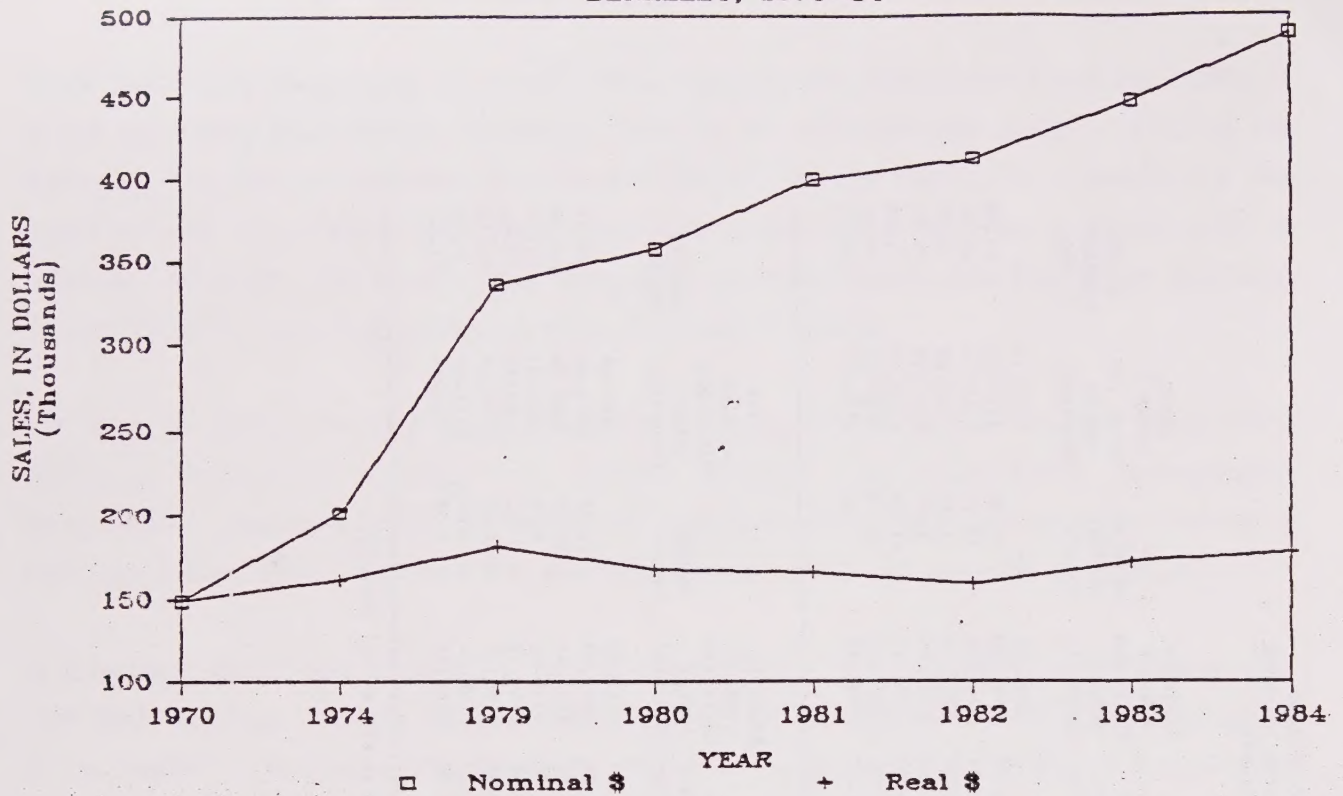
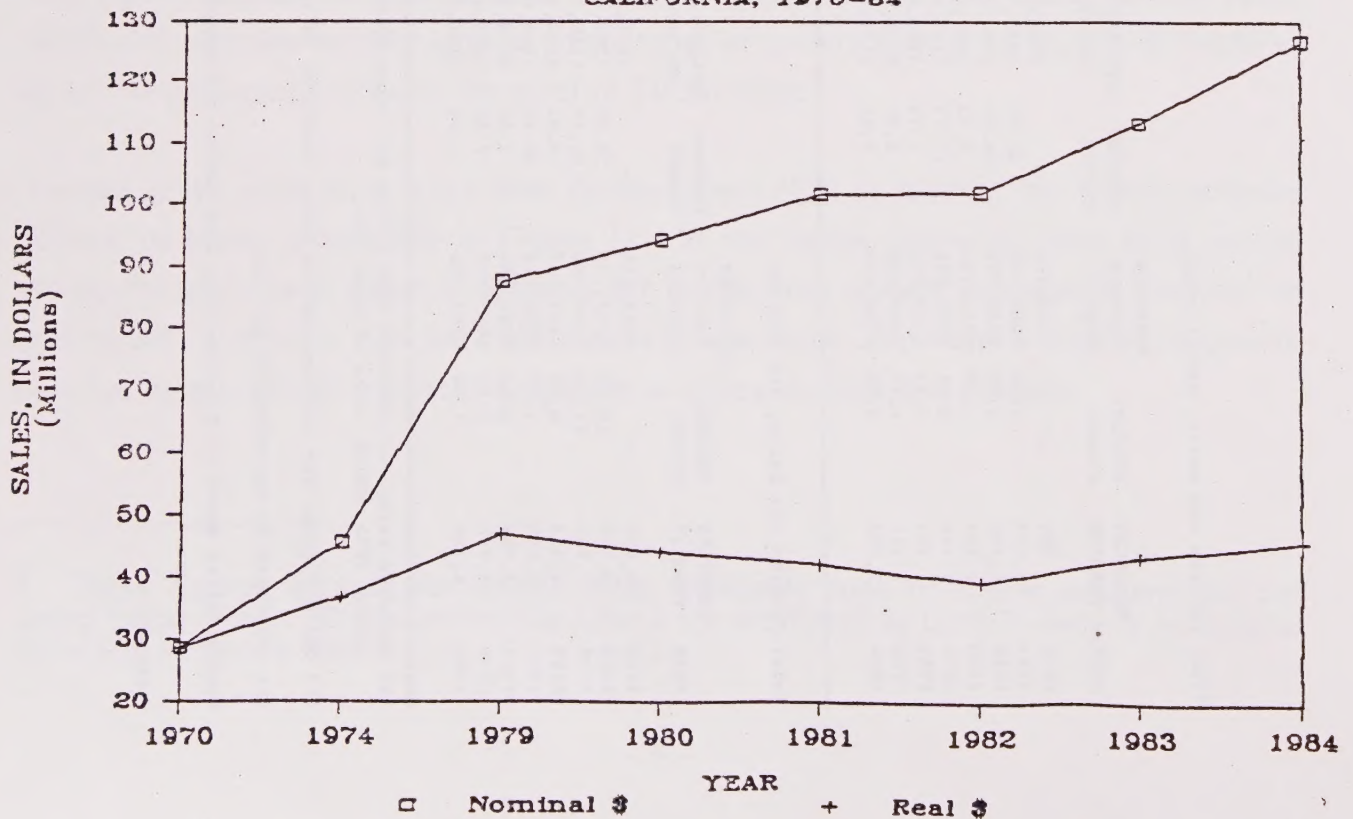


FIGURE 1B

TAXABLE RETAIL SALES, STORES ONLY

CALIFORNIA, 1970-84



Berkeley's retail growth pattern is more moderate than the State's, as demonstrated by the year-to-year fluctuations in real growth shown in Table 2.¹ Sales increased more slowly during expansionary years, but also declined less during recessions. However, Berkeley's performance has been impressive when considering competition from regional malls.

Berkeley's success is probably tied to the stabilizing influence exerted by the student population. Student spending depends much less upon current economic conditions and earnings than does spending by the general population. Thus, student spending is relatively invariable with respect to cyclical economic changes; it won't decline as much as spending by the general population during recessions, nor increase as much during expansions. As a result, Berkeley's overall sales growth rate is comparable to the State's.

Citywide Composition of Sales

Shopping patterns in Berkeley are quite different from statewide patterns. As shown in Table 3, sales in specialty stores accounted for only 13 percent of all taxable retail sales statewide, in 1984, while such sales accounted for about 22 percent of sales in Berkeley. Similarly, sales in home furnishings/appliance stores accounted for almost twice the percentage of sales in Berkeley (8.2 percent) than such sales statewide (4.5 percent). Finally, Berkeley has a greater proportion of sales in apparel (5.3 percent) than the State (4.5 percent). These sales occurred at the expense of sales in general merchandise (department) stores, with an eighty percent lower concentration of sales in Berkeley than statewide (2.4 versus 12.5 percent in 1984). Thus, retail sales in Berkeley occur primarily in smaller, specialty shops.

Sales in restaurants and bars also were particularly strong, accounting for over 18 percent of taxable retail sales, compared to 12 percent of State sales, a 50 percent

¹ In Table 3, real taxable sales in Berkeley are contrasted with real per capita taxable sales growth for the State, which is not strictly comparable. However, annual population figures required to calculate per capita figures for Berkeley were not available. Comparing total State sales figures to those in Berkeley would be even more misleading, because the State population grew about 27 percent during the period, while Berkeley's fell almost 10 percent.

TABLE 3
COMPOSITION OF TAXABLE RETAIL SALES
BERKELEY VS. STATE
1970 and 1984

PERMITS BY STORE TYPE (a)	RETAIL TAX PERMITS IN BERKELEY			RETAIL TAX PERMITS IN BERKELEY			RETAIL TAX PERMITS STATEWIDE, 1984		
	(in numbers)		PERCENT CHANGE 1970-1984	(by percent)		CHANGE 1970-1984	NUMBER	PERCENT	1984 BERKELEY PERCENT/ STATE PERCENT(c)
	1970	1984		1970	1984				
Apparel	87	102	17.2%	6.8%	6.3%	-0.5%	19,931	6.1%	103.7%
General Merchandise	22	28	27.3%	1.7%	1.7%	.0%	6,001	1.8%	94.6%
Drug	30	18	-40.0%	2.3%	1.1%	-1.2%	4,381	1.3%	83.3%
Food	107	125	16.8%	8.3%	7.7%	-0.6%	21,641	6.6%	117.1%
Packaged Liquor	38	31	-18.4%	3.0%	1.9%	-1.0%	5,712	1.7%	110.0%
Eating and Drinking Places	206	333	61.7%	16.0%	20.5%	4.5%	56,106	17.1%	120.3%
Home Furnishings and Appliances	67	107	59.7%	5.2%	6.6%	1.4%	19,525	5.9%	111.1%
Building Materials	33	40	21.2%	2.6%	2.5%	-0.1%	10,498	3.2%	77.2%
Auto Dealers and Supplies	33	55	3.8%	4.1%	3.4%	-0.7%	14,421	4.4%	77.3%
Service Stations	90	43	-52.2%	7.0%	2.6%	-4.3%	14,049	4.3%	62.0%
Other Retail Stores	259	372	43.6%	20.1%	22.9%	2.8%	67,843	20.6%	111.2%
Business and Personal Services	295	367	24.4%	22.9%	22.6%	-0.3%	88,839	27.0%	83.7%
TOTALS	1,287	1,623	26.1%	100.0%	99.9%	NA	328,947	100.0%	--

SALES BY STORE TYPE (b)	TAXABLE RETAIL SALES IN BERKELEY			TAXABLE RETAIL SALES IN BERKELEY			TAXABLE RETAIL SALES STATEWIDE, 1984		
	(in 1970 dollars)		PERCENT CHANGE 1970-1984	(by percent)		CHANGE 1970-1984	(in 1970 dollars) NUMBER	PERCENT	1984 BERKELEY PERCENT/ STATE PERCENT(c)
	1970	1984		1970	1984				
Apparel	\$13,856	\$9,901	-28.5%	8.9%	5.3%	-3.6%	\$2,218,933	4.5%	116.5%
General Merchandise	\$12,506	\$4,565	-63.5%	8.1%	2.4%	-5.6%	\$6,101,149	12.5%	19.5%
Drug	\$6,445	\$5,120	-20.6%	4.1%	2.7%	-1.4%	\$1,266,495	2.6%	105.3%
Food	\$13,541	\$12,580	-7.1%	8.7%	6.7%	-2.0%	\$4,299,003	8.8%	76.4%
Packaged Liquor	\$9,058	\$4,681	-48.3%	3.8%	2.5%	-3.3%	\$703,320	1.4%	173.7%
Eating and Drinking Places	\$22,033	\$34,561	56.9%	14.2%	18.4%	4.2%	\$5,827,547	11.9%	154.8%
Home Furnishings and Appliances	\$8,587	\$13,308	78.3%	5.5%	8.2%	2.6%	\$2,192,532	4.5%	182.3%
Building Materials	\$5,443	\$9,233	69.6%	3.5%	4.9%	1.4%	\$3,400,765	6.9%	70.9%
Auto Dealers and Supplies	\$27,935	\$26,550	-5.0%	18.0%	14.2%	-3.8%	\$8,407,740	17.2%	82.4%
Service Stations	\$2,221	\$14,672	560.6%	1.4%	7.8%	6.4%	\$5,061,678	10.3%	75.7%
Other Retail Stores	\$27,521	\$40,448	47.0%	17.7%	21.6%	3.9%	\$6,570,540	13.4%	160.7%
Business and Personal Services	\$6,194	\$9,894	39.7%	4.0%	5.3%	1.3%	\$2,899,964	5.9%	89.1%
TOTALS	\$155,340	\$187,511	20.7%	100.0%	100.0%	NA	\$43,949,668	100.0%	NA

(a) Includes only those outlets offering taxable items for sale.

(b) In thousands of 1970 dollars, deflated as explained in Table 3, footnote (a). Includes taxable sales only.

Taxable sales account for approximately one-third of total sales in grocery stores, and sixty percent of total sales in drug stores. In addition, nontaxable sales account for the vast proportion of total sales by business and personal services, but the exact extent is unknown.

(c) Figures greater than 100 percent indicate overproportion; figures less than 100 percent show underproportion.

Source: State Board of Equalization; Lynn Sedway & Associates.

greater concentration. The breakdown by type of retail sales for Berkeley and the State is shown in Figures 2a and 2b.

The composition of the retail market in Berkeley has changed over the last fifteen years, becoming increasingly dominated by specialty shops and restaurants/bars (Table 3 and Figure 3). The number of specialty shops increased 44 percent between 1970 and 1984, and real sales increased by 47 percent. The growth in eating and drinking establishments was even more impressive, as the number of establishments grew 62 percent, and sales increased 57 percent. Together, these categories accounted for 43 percent of retail stores and 40 percent of sales in 1984, up from 36 and 32 percent in 1970. Other types of stores increasing in prominence include home furnishings/appliances, service stations, building materials, and services.

At the other end of the spectrum, general merchandise and apparel stores are playing much smaller roles than in the past. Real sales in general merchandise stores fell 63 percent in the last fifteen years, despite a 27 percent growth in the number of stores, due to the increased patronage of specialty shops and the development of Hilltop Mall in Richmond. Real sales for apparel dropped 2 percent, despite a 17 percent increase in the number of stores. This decline is also probably due, in part, to competition from Hilltop Mall apparel stores. The proportion of sales going to these categories of stores dropped from 17 percent in 1970 to only 8 percent in 1984. Other store types not retaining their proportion of sales include auto dealers and supplies, packaged liquor, groceries, and drugs.

Potential Sales for City of Berkeley

Current potential sales data for retail goods in Berkeley are shown in Table 4 and Figure 4. In this analysis, actual sales are compared to estimates of "potential" sales based on State per capita consumption patterns adjusted for the local income.¹

¹ The "potential sales analysis" approach assumes consumption patterns by residents are constant across all communities. Thus, the only variable is the location of stores where consumers do their shopping.

FIGURE 2A
TAXABLE RETAIL SALES IN BERKELEY
 1984, Stores & Services Only

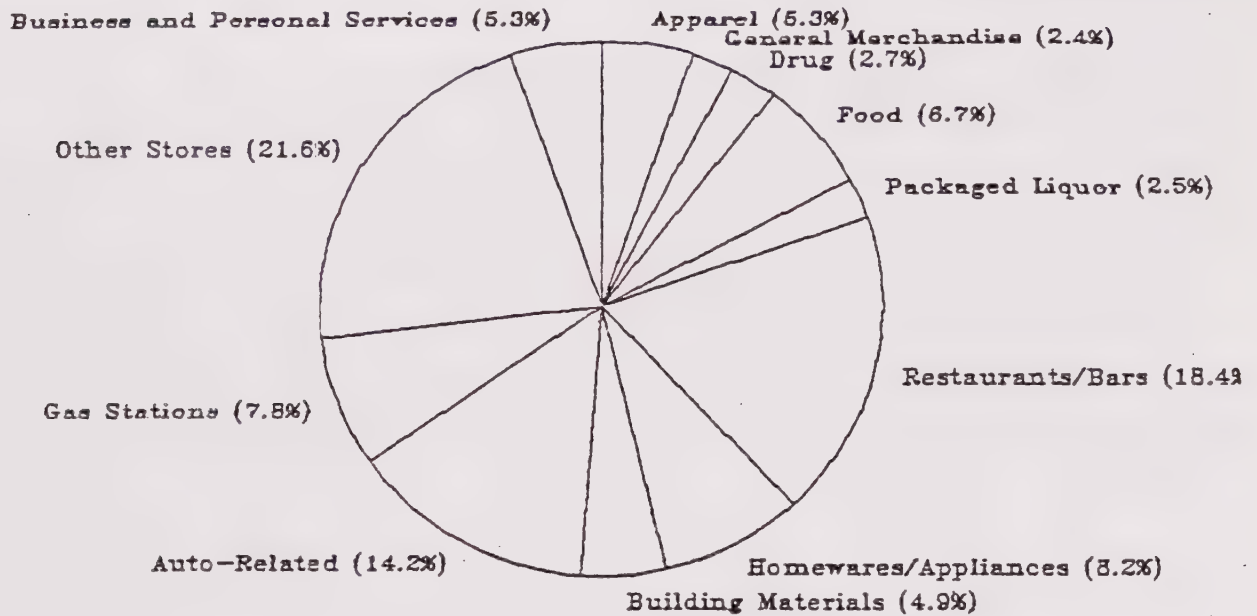


FIGURE 2B
TAXABLE RETAIL SALES IN CALIFORNIA
 1984, Stores & Services Only

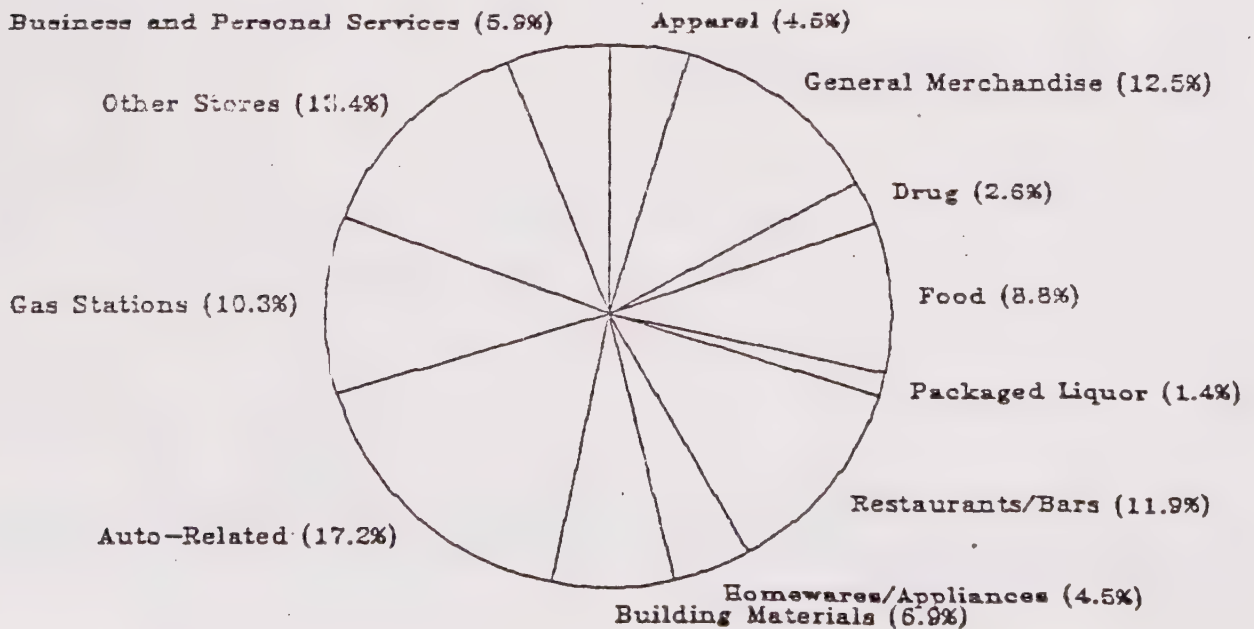
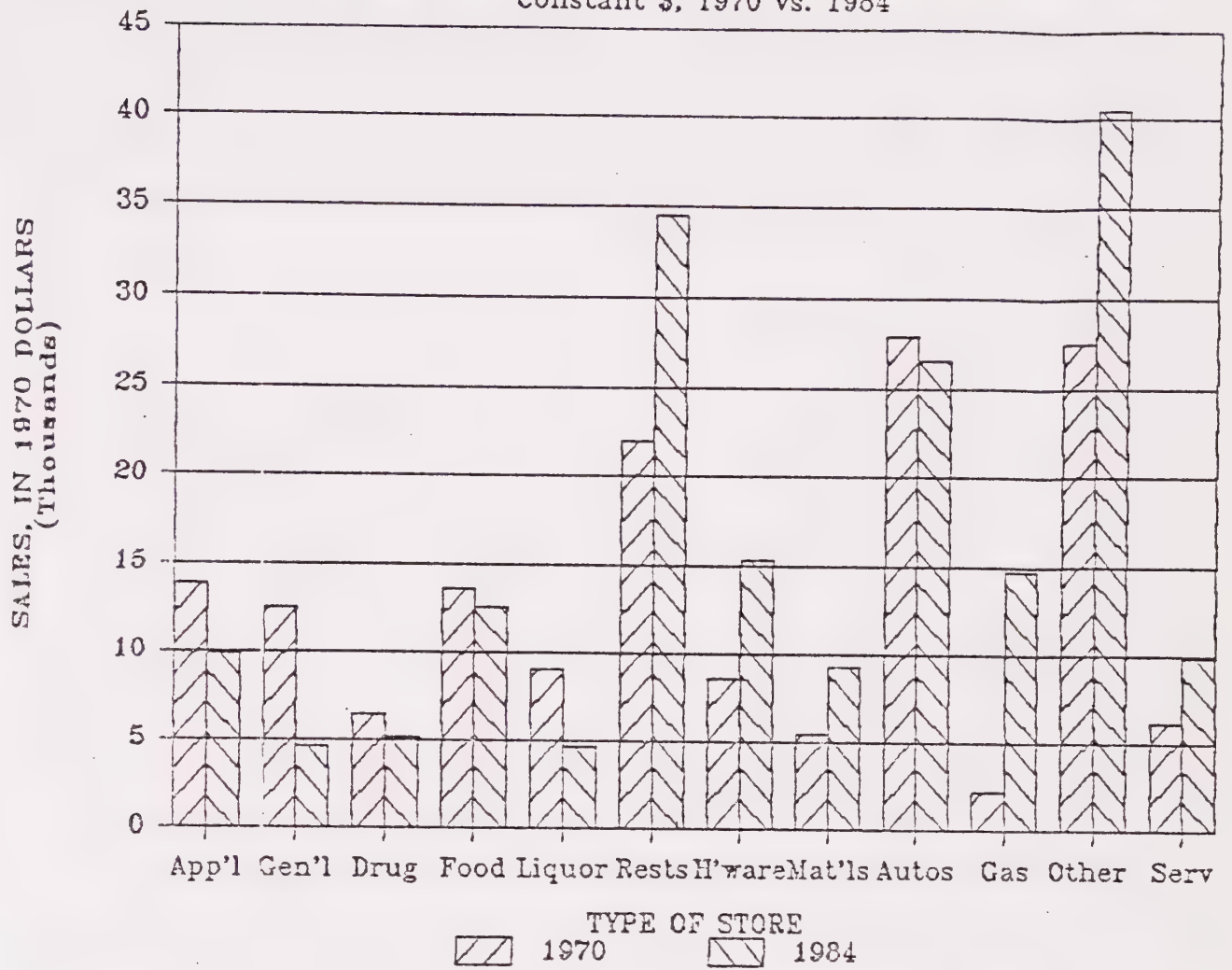


FIGURE 3

TAXABLE RETAIL SALES IN BERKELEY

Constant \$, 1970 vs. 1984



The potential sales analysis in Table 4 generally supports the conclusions of the proportion-of-sales analysis in Table 3. Store types with a relative underconcentration generally show a significant shortfall of sales; store types with greater than average concentration tend to have an excess of sales relative to the State, indicating a regional attraction of shoppers from outside Berkeley.

Store types with significant shortfall of sales include:

<u>Category</u>	<u>Sales Shortfall</u>	<u>Berkeley Sales Proportion Relative to California Sales Proportion</u>
General Merchandise	-82.2%	-80.5%
Building Material	-35.3	-29.1
Groceries	-29.6	-23.6

Store types with above average sales include:

<u>Category</u>	<u>Excess Sales</u>	<u>Berkeley Sales Proportion Relative to California Sales Proportion</u>
Home Furnishings	+66.9%	+82.3%
Packaged Liquor	57.8	73.7
Specialty Shops	21.0	60.7
Restaurants/Bars	42.2	54.8

Overall, it is estimated that approximately 13 percent of potential sales "leak" to stores outside of Berkeley, as reflected by the sales shortfall figures. This leakage is not excessive given the proximity of such regional-drawing centers as Hilltop, in addition to being only minutes from San Francisco's world-renowned shopping areas. As with the concentration ratios, the figures indicate that the shortfall in general merchandise stores is somewhat balanced by greater than average sales in smaller apparel, home furnishings, and other specialty stores. Similarly, the high restaurant sales partially compensate for low grocery sales, reflecting a propensity for smaller, younger households to eat in restaurants rather than at home. Thus, while Berkeley lacks sales and stores in the

TABLE 4
POTENTIAL SALES ANALYSIS
ASSORTED CATEGORIES
BERKELEY MARKET AREA

	Taxable 1984 Per Capita State Exp.	Potential Taxable 1984 Per Capita Exp.(a)	Potential Taxable 1984 Total Sales(b)	Actual Taxable 1984 Total Sales	Excess/ (Shortage) of Sales (in dollars)	Excess/ (Shortage) of Sales (in percent)
Apparel	\$238	\$241	\$25,510,311	\$27,248,000	\$1,737,689	6.8%
General Merchandise	\$653	\$667	\$70,498,698	\$12,563,000	(\$57,935,698)	-82.2%
Drug (c)	\$234	\$232	\$24,567,791	\$24,294,828	(\$272,963)	-1.1%
Food (d)	\$1,266	\$1,274	\$134,699,987	\$94,854,795	(\$39,845,193)	-29.6%
Packaged Liquor	\$76	\$77	\$8,164,945	\$12,882,000	\$4,717,055	57.8%
Eating and Drinking Places	\$626	\$633	\$66,876,678	\$95,117,000	\$28,240,322	42.2%
Home Furnishings/Appliances	\$235	\$239	\$25,249,352	\$42,129,000	\$16,879,648	66.9%
Building Materials (e)	\$365	\$372	\$39,285,534	\$25,411,000	(\$13,874,534)	-35.3%
Auto Dealers and Supplies	\$903	\$914	\$96,650,777	\$73,069,000	(\$23,581,777)	-24.4%
Service Stations	\$544	\$555	\$58,650,043	\$40,380,000	(\$18,270,043)	-31.2%
Specialty (f)	\$855	\$871	\$92,025,018	\$111,318,000	\$19,292,982	21.0%
TOTAL, ALL RETAIL STORES	\$5,997	\$6,075	\$642,179,133	\$559,266,622	(\$82,912,511)	-12.9%
Business/Personal Services (g)	\$312	\$318	\$33,584,458	\$27,230,000	(\$6,354,458)	-18.9%
All Other Outlets (h)	\$2,314	\$2,361	\$249,513,655	\$177,206,000	(\$72,307,655)	-29.0%
TOTAL, ALL RETAIL OUTLETS	\$8,623	\$8,754	\$925,277,246	\$763,702,622	(\$161,574,624)	-17.5%

(a) Per capita expenditures for each area were estimated using per capita income figures relative to the State and expenditure adjustment algorithms developed by Lynn Sedway & Associates. The algorithms are based on data from the Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics, while the ratio of city to state income (102 percent) comes from the 1980 Census.

(b) Potential sales based on the 1984 population of the City of Berkeley as estimated by ABAG.

(c) Assumes taxable sales account for 58 percent of total sales based on State Board of Equalization estimates.

(d) Assumes taxable sales account for 36.5 percent of total sales based on LS&A research.

(e) Includes farm implement dealers.

(f) Includes "other retail stores" as defined by the State Board of Equalization.

(g) Local sales based on unpublished data from the State Board of Equalization.

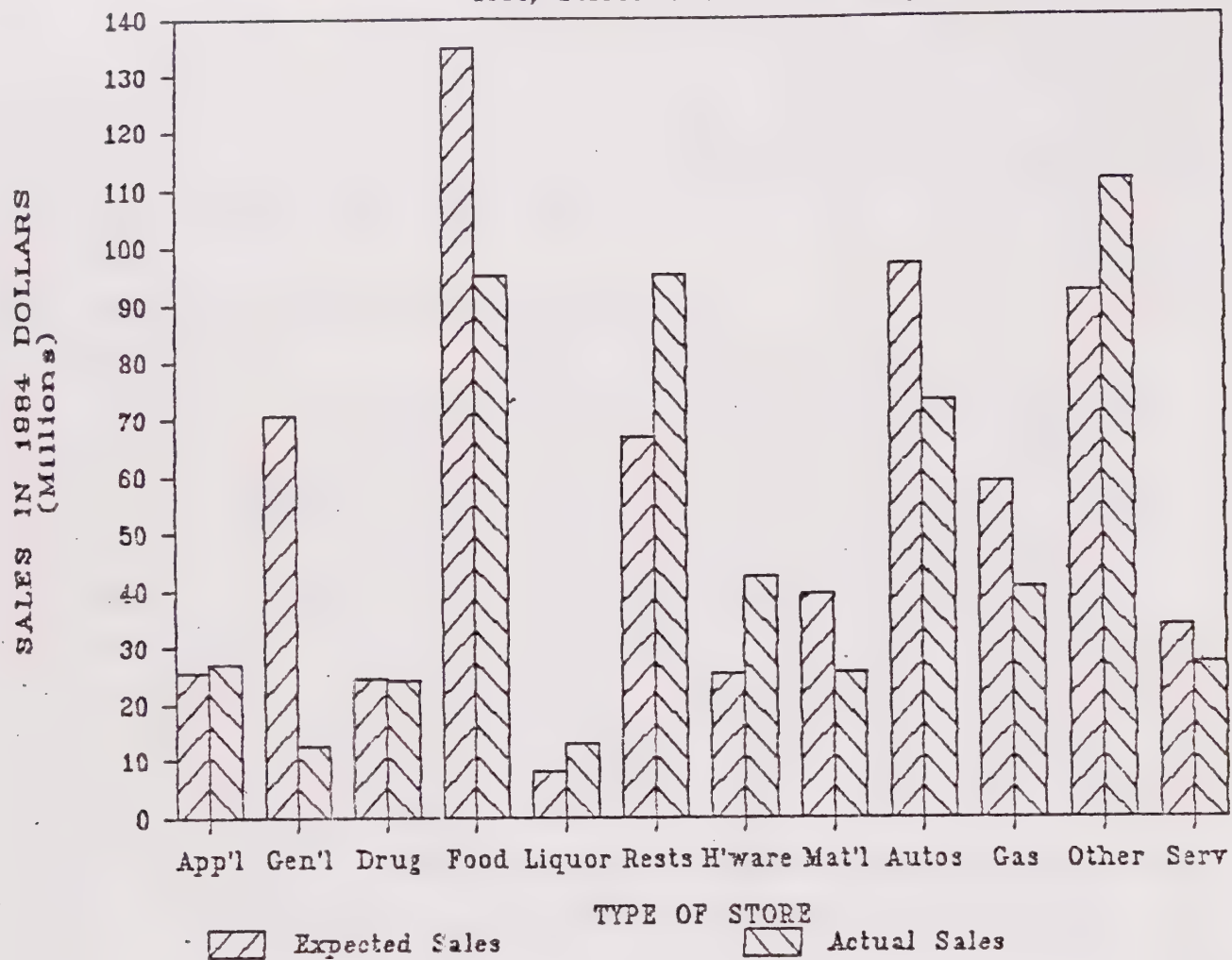
(h) Includes sales by manufacturers, wholesalers, and other non-traditional retail outlets.

Sources: State Board of Equalization; U.S. Bureau of the Census; Association of Bay Area Governments; Lynn Sedway & Associates.

FIGURE 4

POTENTIAL VS. ACTUAL SALES

1984, Stores and Services Only



general merchandise category, other specialty and apparel stores compensate, indicating a probable tendency of local consumers to prefer the smaller store environment.

The Importance of Berkeley's Downtown

A traditional, thriving downtown is characterized by two attributes regarding the retail market. It accounts for a large share of its city's total retail sales, and the stores are more oriented toward higher-value comparison goods than less expensive convenience goods.¹ Contrary to some popular opinion, the Central Business District (CBD) is indeed the heart of Berkeley's retail market and functions as a traditional downtown. Drawing upon its base of office workers, BART and AC Transit commuters, students, neighborhood residents, and tourists, the downtown retail market is both strong and diverse. Berkeley's downtown contains numerous small retail shops carrying apparel, specialty goods (books, stationery, luggage, etc.), movie theaters, live theaters, hotels, offices, and services for businesses and consumers.

For this study, the strength of Berkeley's downtown was analyzed according to two different data sources - the U.S. Census Bureau and local data collected for the City of Berkeley. This dual approach has been taken because the study area for this report is substantially smaller than the boundaries used by Census, but Census information permits a comparison between cities.

Data from the 1982 Economic Census (shown in Table 5 and Figures 5-6) indicate that the significance of Berkeley's CBD as defined by U.S. Census to the City's overall retail market is comparable to CBDs in other major Bay Area cities.² Analysis of the data

¹ "Convenience goods" are generally defined as quick-sale items for which consumers usually are unwilling to drive long distances to purchase. They are contrasted with "comparison goods," typically more expensive items for which consumers will invest more time to compare prices and quality. The components of each category are listed in Tables 5 and 6.

² Comparing the significance of one downtown to its city with that of another downtown and its city is sensitive to the definition of what constitutes the downtown. This analysis adopted the Census definition of a CBD, as well as the Census application of this definition for each city considered. The Census-defined CBD area for Berkeley includes approximately twice the land area as is in the Berkeley Downtown Study Area. Refer to Appendix A for additional explanation and a map.

indicates that the role of the CBD in Berkeley is most similar to San Francisco, and to a lesser extent Oakland. The CBD accounts for 24 percent of all stores in Berkeley, compared to 23 percent for San Francisco's CBD, 19 percent for Oakland, 5 percent for Richmond, and 28 percent for Palo Alto. For each city, "convenience goods" stores in the CBD account for 14 percent of all such stores, but less than 8 percent of the total sales, implying CBD stores are smaller than those in the rest of the City. This confirms observations that larger convenience stores such as supermarkets and super drug stores typically are located in neighborhoods.

For each city the CBD is the center for restaurants and bars, with Berkeley's CBD accounting for about 20 percent of such establishments in the City, compared to 25 percent of San Francisco's and Oakland's restaurants and bars. The CBD in each case accounts for about 30 percent of stores selling "comparison goods" and 20 percent of stores selling miscellaneous items, though San Francisco does show a greater concentration of comparison goods sales (nearly 50 percent) due to the greater presence of large department stores and high-value specialty shops; Oakland's CBD has a much smaller concentration of shops.

The concentration figures for Berkeley's CBD are much greater than for neighboring Richmond — in which the Hilltop Mall (located outside its downtown) accounts for a greater proportion of stores and sales. The CBD in Palo Alto, however, is relatively larger, particularly for convenience goods. This comparison is highlighted because a major university figures prominently in each city.

Similar results regarding the importance of downtown Berkeley were obtained in the "Survey of Business Licenses in Berkeley's Downtown", conducted prior to this study. That study analyzed various businesses' gross receipts in early 1984 for different shopping areas. Data provided in the study show that for five categories of retail sales (specialty, food/beverage, bars/restaurants, clothing, and general merchandise), the Central Business District contributes 16.6 percent of total gross receipts for the City.¹

¹ That study adopted the boundaries of the "Downtown Berkeley Study Area," an area approximately half the size of the Census-defined CBD. As noted previously, the proportion of sales arising from a particular area is sensitive to how the boundaries of the area are defined.

TABLE 5
RETAIL OUTLETS WITH PAYROLL
DOWNTOWN BERKELEY
VS. OTHER LOCAL CITIES
1982

	Berkeley	San Fran.	Oakland	Richmond	Palo Alto
----- Central Business District as Percent of City -----					
Convenience Goods (a)					
Number of Stores	13.8%	13.1%	17.1%	12.5%	25.7%
Sales (\$)	7.1%	7.7%	7.3%	NA	12.6%
Eating and Drinking Establishments					
Number of Stores	23.3%	24.4%	22.2%	5.8%	28.4%
Sales (\$)	19.1%	24.6%	15.1%	NA	27.8%
Comparison Goods (b)					
Number of Stores	30.8%	30.2%	27.6%	5.0%	30.0%
Sales (\$)	32.8%	48.1%	35.0%	1.4%	13.4%
Other Goods (c)					
Number of Stores	22.7%	18.3%	10.2%	0.0%	27.0%
Sales (\$)	21.7%	10.5%	7.4%	0.0%	22.5%
TOTAL (with payroll)					
Number of Stores	24.1%	23.1%	19.2%	4.9%	28.3%
Sales (\$)	20.5%	24.5%	13.6%	1.6%	17.9%
TOTAL (all establishments)					
Number of Stores	19.3%	20.5%	15.5%	6.2%	27.6%
Sales (\$)	20.3%	24.2%	13.6%	1.9%	18.2%
Payroll (\$)	21.7%	27.4%	15.6%	2.2%	21.4%
Employees	24.5%	26.1%	17.6%	1.9%	21.4%
----- Payroll Establishments as Percent of All Establishments -----					
Central Business District					
Number of Stores	88.5%	76.9%	82.7%	54.8%	76.3%
Sales (\$)	98.7%	97.0%	97.6%	86.2%	97.4%
City					
Number of Stores	70.8%	68.1%	66.7%	69.5%	74.4%
Sales (\$)	97.6%	96.0%	97.4%	98.3%	98.6%

(a) Includes: grocery and drug stores.

(b) Includes: general merchandise stores, apparel and accessory stores, furniture, home furnishings, and equipment stores, and miscellaneous specialty goods shops (see Table 5, footnote [a]).

(c) Includes: liquor stores, florists, and auto-related uses, among other types.

Source: 1982 Census of Retailing, Major Retail Center Series; compiled by
Lynn Sedway & Associates.

CBD AS PERCENT OF CITY

STORES AND SALES, 1982

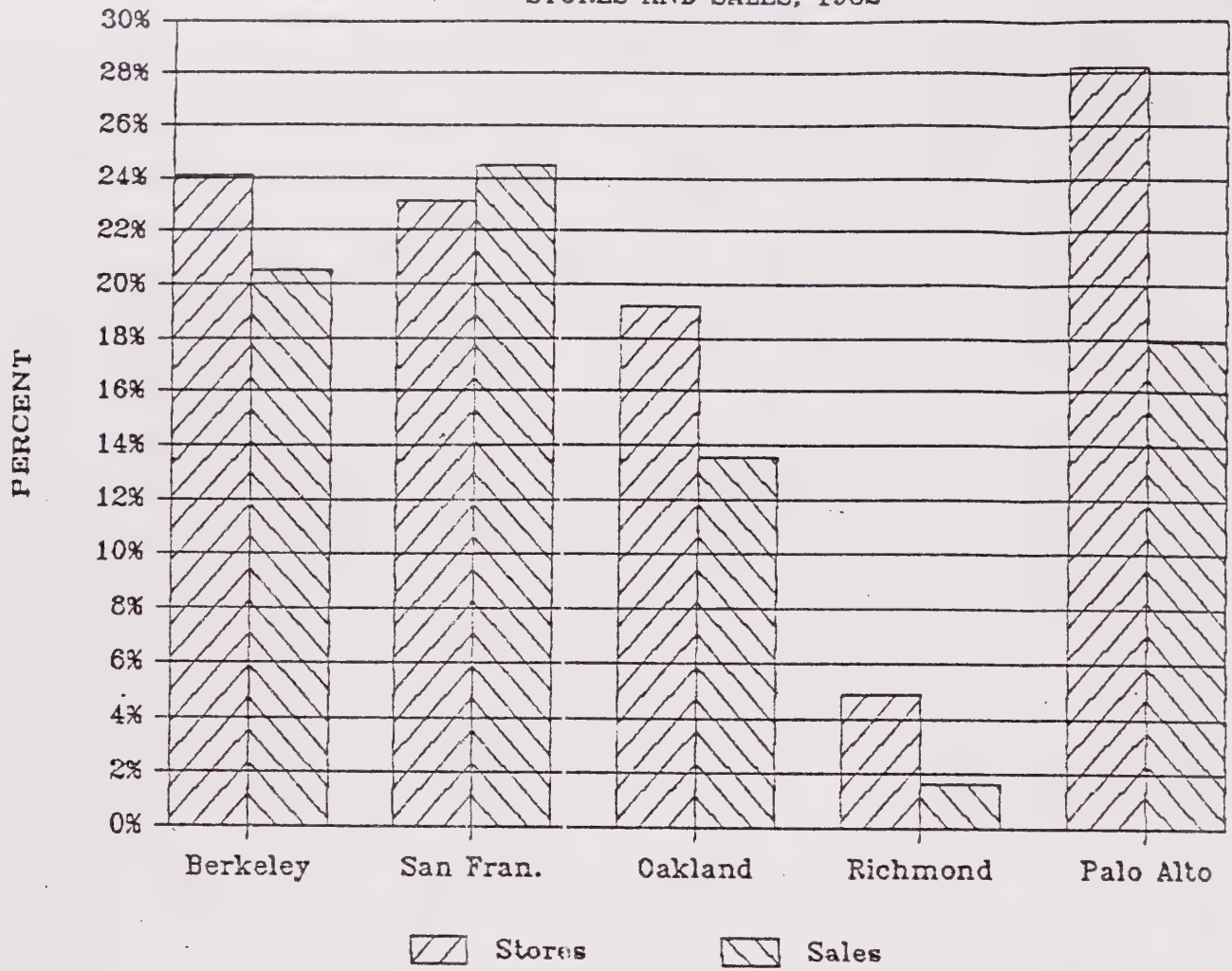


FIGURE 6A

CBD STORES AS PERCENT OF CITY

1982

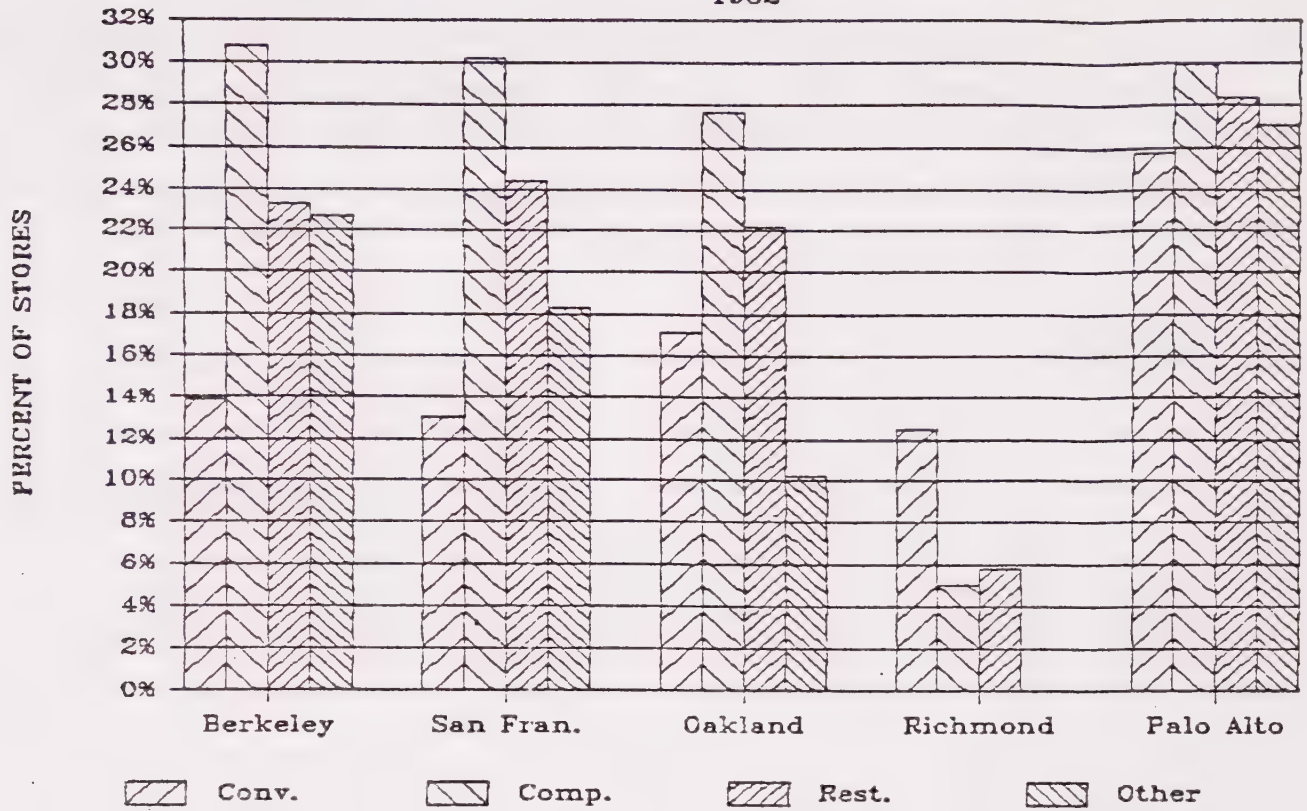
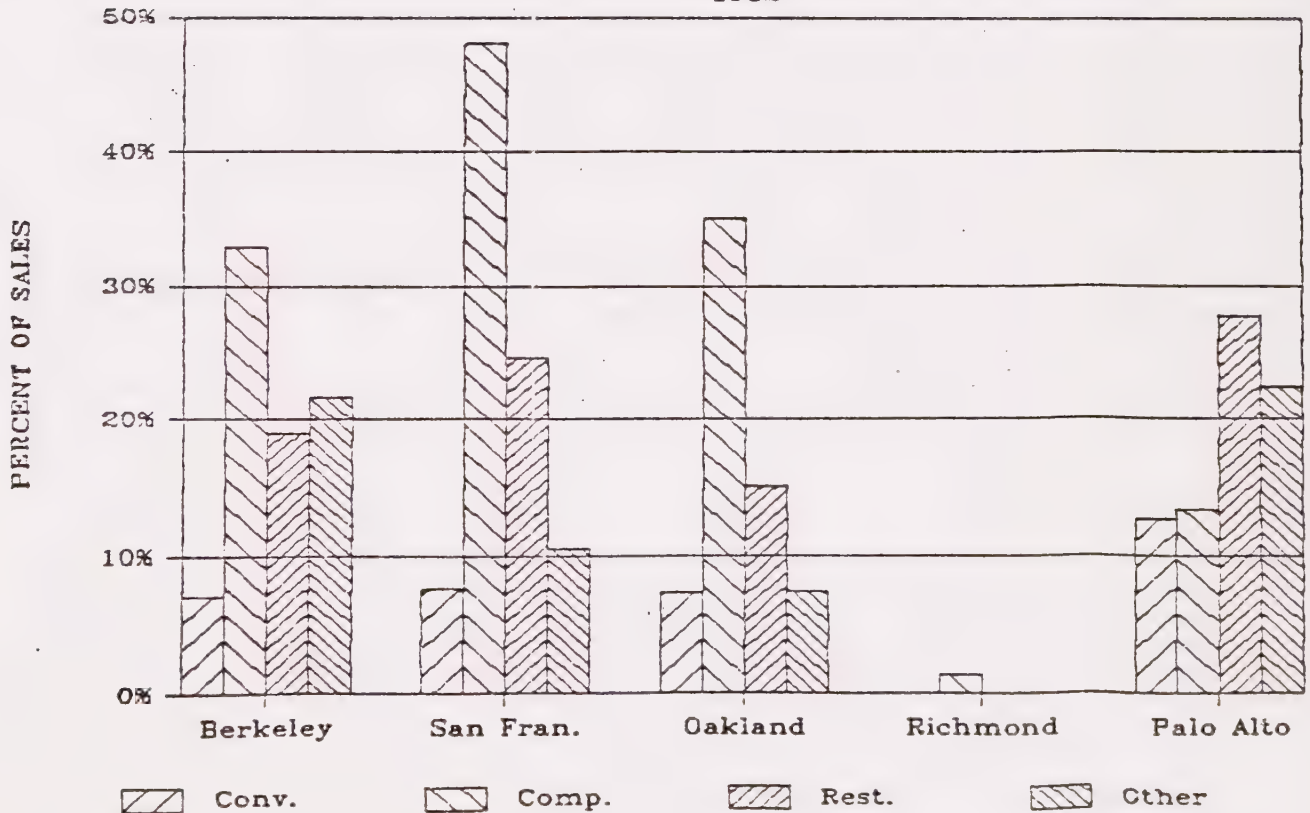


FIGURE 6B

CBD SALES PERCENT OF CITY

1982



Interestingly, the second largest contributor was the San Pablo/University area, contributing 10.9 percent of total gross receipts for the retail categories, followed by Telegraph (10.2 percent), North Berkeley (3.4 percent), and Elmwood (2.6 percent). In total, the five areas contributed about 44 percent of all gross receipts for retail goods, with the balance distributed throughout Berkeley.

Types of Stores in the Downtown

As noted previously, Berkeley's CBD fulfills the traditional role of a downtown in terms of both volume of sales and types of goods sold. This latter point is highlighted by comparing the composition of the downtown retail district (Table 6 and Figure 7). Here again, Berkeley is seen as being most similar to San Francisco. For each city sales of convenience goods accounts for less than ten percent of total retail sales, somewhat lower than the figures for Oakland and Palo Alto.

One significant difference between Berkeley and San Francisco, however, is that a much greater share of comparison goods sold in San Francisco's CBD are transacted in the large department stores of Union Square, while in Berkeley sales occur in smaller specialty shops. This distinction is even more true today than in 1982 due the closing of Hink's, a larger department store.

TABLE 6
DOWNTOWN BERKELEY
VS. OTHER LOCAL CITIES
1982

	Berkeley	San Fran.	Oakland	Richmond	Palo Alto
Composition of the Central Business District, by Percent					
CONVENIENCE GOODS					
Food Stores					
Number of Stores	6.8%	6.8%	13.0%	29.4%	9.5%
Sales (\$)	5.3%	3.8%	12.3%	40.7%	7.0%
Drug Stores					
Number of Stores	2.1%	2.6%	2.8%	11.8%	2.5%
Sales (\$)	3.4%	3.4%	2.3%	NA	4.7%
Total					
Number of Stores	8.9%	9.5%	15.8%	41.2%	12.0%
Sales (\$)	8.7%	7.2%	14.6%	NA	11.6%
EATING AND DRINKING ESTABLISHMENTS					
Total					
Number of Stores	26.0%	37.5%	35.0%	23.5%	25.3%
Sales (\$)	12.6%	19.6%	13.1%	NA	20.1%
COMPARISON GOODS					
General Merchandise Stores					
Number of Stores	0.5%	1.5%	1.1%	11.8%	0.6%
Sales (\$)	NA	22.7%	NA	NA	NA
Apparel and Accessory Stores					
Number of Stores	12.0%	16.5%	14.4%	17.6%	10.1%
Sales (\$)	15.6%	20.3%	12.4%	NA	7.6%
Furniture, Furnishings, & Equipment					
Number of Stores	9.4%	4.7%	6.8%	5.9%	8.2%
Sales (\$)	10.1%	4.2%	7.4%	NA	6.1%
Other Miscellaneous Stores (a)					
Number of Stores	19.8%	16.1%	11.6%	0.0%	20.3%
Sales (\$)	NA	14.7%	NA	0.0%	NA
Total					
Number of Stores	41.7%	38.8%	33.9%	35.3%	39.2%
Sales (\$)	41.2%	61.9%	49.3%	33.5%	29.3%
OTHER GOODS					
Building Materials and Hardware					
Number of Stores	1.0%	0.4%	0.8%	0.0%	3.8%
Sales (\$)	NA	0.9%	NA	0.0%	1.7%
Auto-Related					
Number of Stores	7.3%	1.1%	4.0%	0.0%	7.0%
Sales (\$)	NA	1.6%	NA	0.0%	NA
Liquor Stores					
Number of Stores	1.0%	1.3%	3.1%	0.0%	0.6%
Sales (\$)	NA	0.8%	2.9%	0.0%	NA
Total (b)					
Number of Stores	23.4%	14.2%	15.3%	0.0%	23.4%
Sales (\$)	37.5%	11.4%	23.0%	0.0%	39.0%

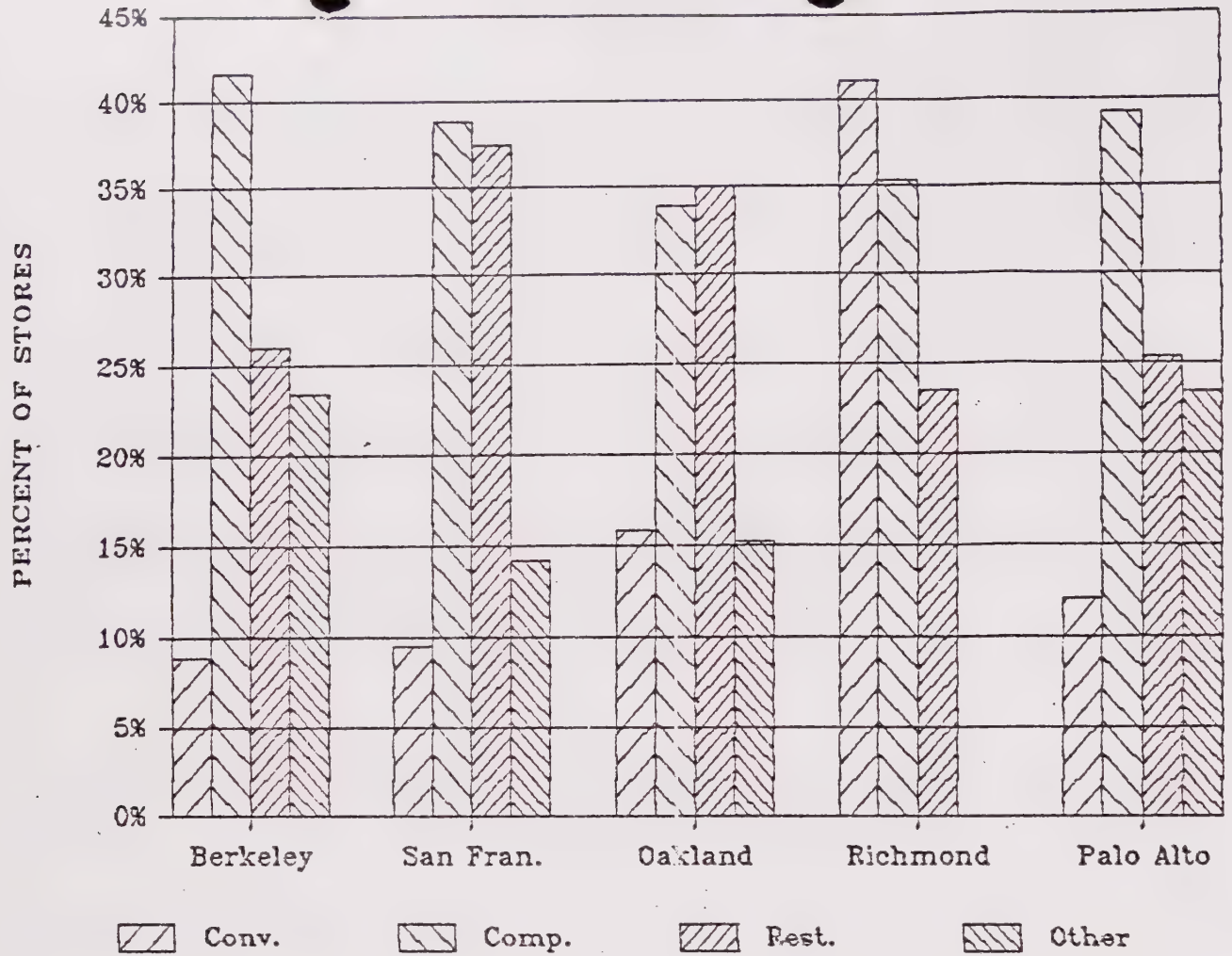
(a) Includes jewelry, gift/novelty, luggage, camera, hobby, stationary, book, sporting goods, and sewing shops, among others.

(b) May include some categories of goods not enumerated separately.

Source: 1982 Census of Retailing, Major Retail Center Series and Geographic Area Series; compiled by Lynn Sedway & Associates.

COMPOSITION OF THE CBD

BY STORE TYPE, 1961



Major Retailer Perspectives

As part of this study, several major national retailers were interviewed for their views and opinions about downtown Berkeley. The interviews were conducted by telephone, and followed a conversational format rather than a set survey instrument. The following summarizes the respondents' general comments related to store location as well as specific comments about downtown Berkeley.

Site Location Criteria

National or regional general merchandise retailers such as Macy's typically utilize certain site location criteria to determine the market feasibility of new department stores. During the past twenty years, as urban areas have grown and developed into a suburban pattern, most major retailers have focused their new store development efforts on suburban communities, locating in large shopping malls designed to draw from a regional geographic area. Thus, the primary criteria used to select a new store location is the "critical mass" of population in a market area. Macy's, for example, looks for a location which is accessible to at least 150,000 residents within a 20 minute driving time. An even denser population base within close proximity to a potential location serves to enhance the market area's attractiveness. In addition, the market area should not overlap with the same retailer's existing stores' market area.

The "critical mass" criteria varies from retailer to retailer, depending upon the size of a typical store. Representatives from Macy's and Emporium Capwell state they require critical masses in excess of 150,000 people within close proximity to support their typical store size of 120,000 to over 200,000 square feet. Management of The Limited, Inc., a national chain of quality women's apparel, generally desires a critical mass of 250,000 people within five miles of the store, reflecting the more specialized nature of its merchandise. Most of these rules of thumb are oriented towards identifying appropriate suburban shopping mall locations, which rely upon automobile access. Thus, smaller downtowns are frequently overlooked by major retailers because they do not fit the suburban market criteria.

After identifying a sufficient market size, major retailers analyze the income and demographic characteristics of the market area to estimate potential sales. They review

data to identify significant consumer groups such as two-income professional households with small children, or retired people with different consumption patterns. A major retailer will be less likely to locate in an area where income levels and demographics do not clearly support the type of merchandise sold.

Finally, retailers often select a new store location based upon certain site-specific criteria such as the presence of other complementary retailers. Retailers tend to follow a locational pattern where smaller specialty stores locate around general merchandise anchors to create an established shopping destination, drawing more customers to the mall than any single store would attract on its own. General merchandise anchors tend to locate where other large anchors are locating, resulting in a shopping facility with two or more anchors as a typical configuration. Smaller stores seek out and follow these anchors, thereby reducing their risk. Additionally, research indicated that smaller retailers will often seek locations where other competing retailers have gone, based on the presumption that shoppers will be drawn to the synergistic grouping of stores, reducing risk to the retailer.

In addition to site specific synergy, retailers look for sites with positive locational attributes such as freeway or major arterial access, mass transit access, good traffic circulation patterns, convenient and ample parking, and overall pleasant ambiance. In suburban shopping mall locations, many of these locational attributes depend upon the developer's design of the mall. In more urban, downtown locations, these attributes generally come under the jurisdiction of many public and private organizations.

Downtown Berkeley

Telephone interviews conducted for this study began by asking the retailer/retail developer about their prior consideration of downtown Berkeley as a potential location and their views on the market area.¹

¹ Due to time and budget constraints, interviews were limited to Macy's, Emporium Capwell, The Limited, Inc., Constitution Square (new downtown rehab. with national retailer, Clotheshime, as tenant), and Glenn Issacson & Associates, developer.

Both Macy's and Emporium Capwell's representatives felt that the East Bay market area was sufficiently served by existing stores at Hilltop Mall, Union Square in San Francisco, Southland Mall in San Leandro, El Cerrito Plaza (Emporium Capwell), and downtown Oakland (Emporium Capwell). The Limited, Inc. stated that they have a Limited Express in the Telegraph shopping area, which they consider a more dynamic shopping environment than downtown. None of the retailers had researched the market potential of downtown Berkeley due to their perception that no market potential exists.²

The two general merchandisers (Macy's and Emporium Capwell) were asked about the concept of a junior department store, where a major retailer develops a smaller store facility tailored to a downtown location, typically selling soft goods and apparel. Both merchandisers stated that they had considered the junior department store concept in the past, but had decided that the concept did not fit with the companies' experience and merchandising skills, nor was the concept economically feasible in today's marketplace.

The Limited, Inc. stated that downtown Berkeley had never been considered as a potential location because the company believed that the center of Berkeley's retailing was the Telegraph shopping area. This perception was based upon observations that Berkeley's market is comprised primarily of university students, and other large retailers such as Miller's Outpost, Little Daisy, and McCaulou's have created a strong retail base in the Telegraph area. The Limited, Inc. desiring to follow the other major retailers, has located nearby.

The developer of Constitution Square, located in the center of downtown Berkeley, was also interviewed for his recent leasing experience. A retail chain, Clothestime, had recently been secured as a prime ground floor tenant for the project. This store will be the first major chain retailer of apparel to locate in downtown Berkeley. According to the developer, the process of leasing to this type of tenant was difficult, and required a great deal of promotion of downtown Berkeley's unrealized market potential. Clothestime viewed their commitment as risky, but did decide to proceed.

² This perception of deficient retail market is not verified by research and analysis for this report (e.g., strong demographics, limited leakage except for general merchandise, and moderately strong downtown sales base). Nonetheless, the perception exists, and would require aggressive marketing and promotion on the part of the City to overcome.

All of the retailers were interviewed regarding their perceptions about strengths and weaknesses of downtown Berkeley as a potential retail location. Each retailer responded similarly, describing Berkeley's image, both citywide and downtown, as the major weakness. On a citywide basis, Berkeley is viewed by these decision makers as a unique community with political and business risk. For example, the possibility of widespread commercial rent control, considered as an indicator of a negative business climate, was mentioned by several retailers. This political image, coupled with a perceived weakness in the demographics of the area, led the respondents to conclude that Berkeley would not become a market opportunity to major retailers for the foreseeable future.

Downtown Berkeley's image was perceived to carry the same political and business risk as the entire city. In addition, downtown Berkeley was described as suffering from associated physical image problems. The area was described as tired, dirty, poorly maintained, and poorly designed. Examples were cited such as lack of well-maintained street lights for night use and litter/loitering around the BART station entrance. Most of the retailers also mentioned that downtown Berkeley lacked a physical focus, so that positive attributes were not noticeable or did not compensate for the more visible negative attributes.

The final question posed during the interviews was, "What would it take to get you to consider downtown Berkeley?" Several of the retailers felt that no action(s) on the part of the City would be enough to change their view of Berkeley, due to the perceived lack of market that is required to support their full-size stores. Others mentioned cleanup, building rehabilitation, a change in political climate, and some type of redevelopment project as actions which may help improve downtown Berkeley's image.

Regional Additions To Retail Supply

The future of Berkeley's downtown retail market will be affected by major development projects in other East Bay communities. Many major retail projects are currently under construction, planned or proposed in the East Bay region (see Appendix B for a complete list of all major projects). If all proposed projects are constructed, between 2.6 to 3.5 million square feet of new retail space would be added to the existing supply. It is doubtful, however, that all these projects will be completed. Of the potential total, only

212,000 square feet, or eight percent, is currently under construction, to be completed by 1985-86. Approximately 26 percent of the total projected supply has received some level of development approval; the remaining 66 percent is still in a proposal/discussion stage.

Most of the major new retail projects are located in the City of Oakland. The largest project is a proposed regional shopping/urban center of 700,000 to 1,000,000 square feet in the downtown area, to be located near the Emporium Capwell store. The site is part of the Redevelopment Agency's study area and is the focus of a downtown mixed-use development program. Other major projects in Oakland include the City Center Rotunda project (a renovation of the old Liberty House), the Housewife's Market, and expansion of Jack London Square. The Rotunda project, currently under construction, is a mixed-use development which will contain 12,000 square feet of retail space. The Housewife's Market, a 300,000 square foot specialty center, is currently under construction. In addition, the Jack London Square project, a mixed-use development including 150,000 square feet of specialty retail, is planned for a 1988 opening.

Projected retail space in other East Bay cities exceeds one million square feet. In Emeryville, a major regional shopping center of 700,000 square feet has been proposed, as well as 80,000 square feet of retail space in the Boxcraft building. Other retail projects include 100,000 square feet of retail space proposed as part of the Albany Specific Plan for the parcels owned by Santa Fe on the waterfront. In addition, an expansion of 170,000 square feet is under consideration by owners of El Cerrito Plaza; the Center is currently looking for an anchor tenant for the new space before pursuing development approvals. Finally, of retail space may be developed by Santa Fe on the Berkeley portion of the waterfront; the amount of space is indeterminable at this time due to a complex land use planning process currently underway.

In summary, future retail development in areas surrounding downtown Berkeley will actively compete for segments of the market. Downtown's locational strengths will continue to attract many student and office worker expenditures, but residents and visitors may be attracted elsewhere by larger stores offering a wider variety of merchandise and better accessibility.

OFFICE MARKET ANALYSIS

Current Office Market

During the past decade, the Bay Area has experienced a substantial growth in office-based employment and subsequent office space development. The financial district of San Francisco, the I-680 corridor, Silicon Valley, and parts of the Peninsula have become major employment centers. According to the Center for Real Estate and Urban Economics at U.C. Berkeley, the San Francisco Bay Area added over 38 million square feet of office space between 1981 and 1984.¹ This growth was due to economic expansion in the finance/insurance/real estate (FIRE) and services sectors of the economy, as well as locational advantages of the Bay Area such as quality of life, abundant labor pool, and well-established universities. While Berkeley has shared in the office boom, the scale of its office growth has been limited by Berkeley's perceived business climate, distance from freeways, lack of developable land, and traffic congestion/parking problems.

The market for office space in downtown Berkeley benefits from several positive locational advantages, including access to BART and other mass transit, the ability to draw from a well-educated labor pool, and an economic base fueled by the presence of a large university. As prime office space rents in San Francisco rose rapidly during the early 1980's, Berkeley's lower rents and locational advantages have sparked renewed interest by office developers.

Downtown Berkeley had an estimated 1,346,000 square feet of public and privately owned office space in 1984, representing approximately 1.3 percent of the Bay Area's total office supply.² The largest building, the Great Western Building at 2156 Shattuck Avenue, was constructed in 1970 and contains approximately 135,000 square feet of net

¹ Includes counties of San Francisco, San Mateo, Contra Costa, Alameda, and Santa Clara.

² Includes building at 2150 Kitteridge which has recently been completed. Source: Berkeley Downtown Land Use Survey, February, 1985.

area. Most of the balance of the office space is located in smaller, older buildings throughout the downtown area. Tenants in the multi-tenant buildings consist of consultants, attorneys, research firms, business service firms, and other small space users. A study conducted by the Comprehensive Planning Department in 1979 found that the average company employed six people. In addition, the University of California, Berkeley as well as the U.C. Regents occupy substantial amounts of owned and leased office space.

Current rents for prime office space in downtown Berkeley range from \$1.50 to \$2.00 per square foot per month on a full service basis. Research conducted for this study indicated that the Great Western Building commands the highest rents in the area, ranging from \$1.95 to \$2.00 per square foot per month on a full service basis. These rents are very competitive with San Francisco and other major office centers; according to the Center for Real Estate and Urban Economics (U.C. Berkeley), rents in San Francisco range from \$2.25 to \$3.20 per month.

For this study, limited research regarding vacancy rates indicated that demand for prime office space remains strong in Berkeley, although new buildings are experiencing a slowdown in leasing activity as are most new buildings throughout the Bay Area. For example, the Great Western Building, according to research conducted for this study, is currently approximately 98 percent occupied and 2 percent vacant. The Wells Fargo Building has an effective occupancy rate of 100 percent, excluding space currently being renovated. The new Merrill Lynch Building on Addison, completed in 1984, currently has an approximately 16 percent vacancy rate. The building was fully leased upon completion but one of the tenants occupying a full floor of the three-story building has gone out of business. The floor has been partially released. Another relatively new space, the rehabilitated building at 1950 Addison, is currently 100 percent occupied. As an indicator of market strength, these levels of vacancy reflect very strong demand for established downtown office space, particularly when compared to the high vacancy rates prevalent elsewhere in the Bay Area office market.

Additions to Supply

During the past two years, Berkeley's downtown has experienced a resurgence of new office construction as well as rehabilitation of several older buildings. As shown in

Appendix C, projects which are currently under construction, planned, or proposed total approximately 351,000 square feet, an increase of 26 percent over existing supply.¹ As part of this study, developers/leasing agents for all of the new buildings were interviewed regarding their pre-leasing experience.

Perhaps the most significant new addition to office supply will be the Golden Bear project, currently under construction on University Avenue. This project will contain approximately 140,000 square feet of office space, making it one of the largest privately owned office buildings in Berkeley. Research indicated that pre-leasing activity has recently started, but no tenants have been secured. Asking rents are expected to be \$2.15 per square foot with full building services, making Golden Bear the premier office space in Berkeley. The leasing agent expects eventual tenants to be primarily general businesses and professional offices with relatively small office space needs.

Constitution Square, a recently completed rehabilitation with 25,000 square feet of office space adjacent to the Great Western Building on Shattuck Avenue, is currently fully leased. According to the developer, the office space was leased prior to building completion. Total lease-up period was approximately one year.

Two buildings currently under construction are experiencing slower lease-up, probably due to both their respective locations and a general recent softening in the office market throughout the Bay Area. 2150 Kitteridge has leased 7,000 of its 20,000 square feet including office space for the developer, Berkeley Commercial Realty. This building became ready for occupancy within the past month. It is located away from the center of downtown at the eastern end of Kitteridge bordering the U.C. Berkeley campus, which may partially account for its relatively long absorption period. Another building currently under construction, 2030 Addison, will contain approximately 29,300 square feet of office space when it is completed in Spring, 1986. The developer has been pre-leasing since June, 1985, and has leased offices for its own business as well as one floor to a law firm.

¹ Includes University Hall, a 60,000 square foot addition, not shown on Appendix C. Total existing supply includes both public and private space per the "Berkeley Downtown Land Use Survey," February, 1985 (base includes 2150 Kitteridge, which is shown as new construction in Appendix C).

Finally, a relatively large mixed-use building has been proposed for the corner of Fulton and Durant. It will contain approximately 85,000 square feet of office space. Pre-leasing activity is expected to commence in early 1986, and construction is expected to be completed at the end of 1986. According to the developer, several potential tenants have expressed interest in the site.

In summary, the current market for new office space in downtown Berkeley appears to be moderately strong depending upon the location of the building. The strength of the marketplace may be due in part to the lack of new office construction in downtown during the early 1980's, when demand for and construction of office space surged in other parts of the Bay Area. Thus, current leasing activity reflects the pent-up demand of local business from previous years as well as current expansion and new business growth.

Estimate of Future Office Space Demand

Demand for office space targeted to smaller users in downtown Berkeley is expected to remain moderate to strong during the next fifteen years due to Berkeley's locational advantages as well as constraints placed on supply such as lack of developable land and the lengthy approvals process. In addition, the Bay Area is expected to continue experiencing growth in the office-based employment sectors.

The following table provides estimates of future office space demand in Berkeley by applying regional employment growth rates to the actual privately-owned office space inventory in the downtown. In addition, the estimates include a calculation to account for pent-up demand among existing users as reflected by relatively low current vacancy rates. According to these estimates, demand during the next five years for downtown Berkeley will be approximately 206,000 to 230,000 square feet of space excluding government users. When compared to the inventory of under construction, planned, and proposed space totaling 291,000 square feet (excluding the University Hall addition), it appears that Berkeley's downtown may require several years to absorb all known additions to supply. The scale of the Golden Bear project will contribute to this situation. In addition, several major new office developments planned or proposed throughout the East Bay (see Appendix B) such as Hilltop, Emeryville, and downtown Oakland, as well as current intensive office development along the I-680 corridor will compete with downtown Berkeley for some office users.

In conclusion, downtown Berkeley's office market contributes jobs, retail sales dollars, and cultural activities to the area. The market has remained moderate to strong in recent years, and is currently maintaining a healthy vacancy rate. New buildings under construction seem to be leasing at a slow pace; their scale and the existence of pent-up demand due to lack of construction during the early 1980's should assist leasing and prevent long-term vacancies. Under construction, planned, and proposed projects will add a relatively large proportion of space to existing supply during the next two years, resulting in adequate supply until 1990. In future years, demand will likely average 100,000 to 125,000 square feet per five year interval. By the year 2005, cumulative supportable demand will be about 507,000 to almost 600,00 square feet, an increase of 57 to 66 percent over existing supply.

TABLE 7
ESTIMATED OFFICE SPACE DEMAND FOR DOWNTOWN BERKELEY
1985-2005

	1985	1990	1995	2000	2005
=====					
BAY AREA					
Office-based					
Employment (a)	902,570	1,024,530	1,135,550	1,231,411	1,333,718
Growth Rate		11.9%	9.8%	7.8%	7.7%
=====					
DOWNTOWN BERKELEY: MODERATE GROWTH SCENARIO (b)					
Existing Office Space					
(Sq.ft.)	892,000				
Increased Supply for					
Market Equilibrium (c)	89,200				
Demand Based on Regional					
Office-based Employment					
Growth		116,800	107,400	94,000	99,700
INCREMENTAL DEMAND IN EXCESS					
OF CURRENT SUPPLY	89,200	116,800	107,400	94,000	99,700
CUMMULATIVE TOTAL DEMAND	89,200	206,000	313,400	407,400	507,100
PERCENT INCREASE					
OVER EXISTING SUPPLY	10%	23%	35%	46%	57%
=====					
DOWNTOWN BERKELEY: HIGH GROWTH SCENARIO (d)					
Existing Office Space					
(Sq.ft.)	892,000				
Increased Supply for					
Market Equilibrium (c)	89,200				
Demand Based on Regional					
Office-based Employment					
Growth		140,200	128,900	112,800	120,000
INCREMENTAL DEMAND IN EXCESS					
OF CURRENT SUPPLY	89,200	140,200	128,900	112,800	120,000
CUMMULATIVE TOTAL DEMAND	89,200	229,400	358,300	471,100	591,100
PERCENT INCREASE					
OVER EXISTING SUPPLY	10%	26%	40%	53%	66%
=====					

(a) Estimated from ABAG "Projections '85" by calculating office-based employment.

Includes managers, specialists, professionals, technical, sales, and administrative categories from manufacturing, services, and TCPU sectors. For FIRE, includes all of the above job types plus services employment. Does not include agriculture, mining, construction, wholesale trade, retail trade, and government. Figures for 2000 and 2005 derived from 1995 sector-specific ratios for each job type.

(b) Applies Bay Area growth rate to existing downtown office space.

(c) Assumes that current supply has 0 % vacancy rate, and must add 10% to reach market equilibrium.

(d) High growth scenario assumes a growth rate 20% greater than regional rate.

SOURCES: Projections '85 (ABAG), Berkeley Downtown Land Use Survey (David Parke), Lynn Sedway & Associates.

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RESIDENTIAL MARKET OVERVIEW

The citywide residential market in Berkeley is driven by a strong desire from diverse types of residents to live in Berkeley. As noted previously, the market is fueled by people wishing to live in an attractive area with a unique character as well as college students desiring to be located near the campus. Data from Census (see Table 1) reflects the strength of the rental market - approximately 62 percent of Berkeley's units were renter occupied in 1980.

The strong demand for all types of housing in Berkeley is demonstrated by vacancy rates. According to the Federal Home Loan Bank's Housing Vacancy Survey for Alameda County, the overall vacancy rate for housing in Berkeley in September, 1984 was .6 percent. Multi-family housing registered the same rate, while single-family housing had a vacancy rate of .7 percent. These figures are significantly below a healthy rate of four to five percent considered necessary to maintain an equilibrium between supply and demand while allowing for normal turnover.

Berkeley's strong housing market is dramatically affected by two factors - lack of developable land to increase supply and public policies unfavorable to development, namely rent control and inclusionary housing. The paucity of developable land is a common dilemma among older, urbanized areas. However, development opportunities have and will continue to arise through reuse and redevelopment of certain parcels of land scattered throughout Berkeley. The impact of rent control in relation to new construction is primarily one of image rather than fact, as Berkeley's rent control ordinance does not apply to newly constructed units. Despite this situation, however, much of the development community is concerned about the possibility of future rent restrictions and has chosen to not develop housing in Berkeley.

There has been no recent development of housing in downtown Berkeley. Much of the existing downtown housing can be characterized as residential hotels, which have experienced some redevelopment/reuse pressures in recent years. As part of the downtown planning process, these residential units have been studied, and methods to ensure their preservation have been proposed.

One new condominium project has recently been proposed for a site at the northeast corner of Oxford and Hearst, adjacent to the downtown Study Area. Research conducted for this report indicated that the developer was uncertain about the target sale prices, size of units, and probable buyer profiles.

Future Market Potential for Downtown Housing

Many older, urbanized communities with vital downtown areas such as Berkeley have determined that housing development is a desirable way to enhance the liveability of downtown on a 24-hour basis. Housing can also stimulate retail, restaurant, and cultural activities, providing an economic benefit to the local business community.

There is strong market demand for housing in Berkeley, and even though market rate housing has not yet been developed downtown, it is likely that such housing would be absorbed quite rapidly. However, at present there are many economic and perceptual disincentives to produce housing. First, land costs in downtown are based on current zoning, which generally encourages office or retail uses, resulting in land prices which typically render low to medium density housing infeasible. Higher density housing in Berkeley has been a controversial issue, leading to the perception that such housing is not feasible. Finally, the presence of rent restrictions has created a strong perception that newly constructed rental housing in Berkeley has added risk relative to other communities. Thus, the most probable type of housing development which could be attracted to downtown Berkeley would be market rate condominiums at a density high enough to offset high land prices, construction costs, and development risk while remaining at a price level affordable to Berkeley's younger, smaller households. This type of project would bear some added risk by being a pioneer, and may require some form of public incentive for successful implementation.

In future years, if public incentives are successful in attracting high quality, well-designed projects, the potential for housing development in downtown Berkeley, either alone or in a mixed-use project, will be strong.

IMPLICATIONS OF THE MARKET ANALYSIS

Retail Market

Perhaps the most significant finding of this analysis is the surprising vitality of the retail market in Berkeley and its downtown. Citywide sales are about thirteen percent less than potential, indicating that office workers and tourists make up for almost all of the outside shopping for general merchandise by Berkeley residents. Moreover, sales growth in Berkeley over the past fifteen years has exceeded statewide per capita sales growth.

The downtown area also is doing quite well, despite widespread impressions to the contrary. The contributions of the downtown retail market to the City's economy are comparable to those made by successful downtowns in the Bay Area and beyond.

One of the keys to downtown Berkeley's success and growth to date has been the resilience of the University related market's spending patterns to fluctuations in disposable income due to cyclical economic changes. Another is that residents and local employees shop in smaller specialty shops, compensating for the lack of larger general merchandise stores. This pattern has allowed Berkeley and its downtown to prosper despite its lack of a major retail draw such as a prestigious national general merchandise retailer.

These factors also underlie the success of downtown Palo Alto and Santa Cruz. Each city has a university that plays a major role in the city's economy; each city has a vibrant downtown of mostly small shops, despite the absence of major anchors to attract people to the area.

Downtown Berkeley's lack of strong anchors does impact the business community. Without the credibility conferred by nationally-known stores, retailers perceive that downtown Berkeley is not a suitable location for prestigious retailers. In addition, neighborhood shopping areas in Berkeley have drawn many of the specialty stores which compete directly with downtown. Thus, despite having the type of demographics and successful retail market desired by these chains, downtown Berkeley will not be able to attract them unless it devotes considerable resources to the effort, leaving the retail success of downtown to local retailers with limited capital resources.

This finding could prove increasingly problematic for downtown Berkeley in the coming years due to the substantial retail space expected to be developed in neighboring communities. These projects will attract Berkeley residents, thereby possibly straining existing Berkeley retailers, particularly those in the downtown. In turn, this would make attracting both national and local retailers to the downtown more difficult.

Downtown cannot continue to thrive indefinitely without the addition of a more focused retail base. To maintain a healthy downtown, the City must act to improve downtown's image to outsiders, both retailers and customers alike. Since department stores seem unwilling to consider Berkeley, and local shopping patterns indicate support for smaller specialty stores, future retail projects may focus upon a balanced mix of smaller stores in a pleasant shopping environment.

The image improvement should proceed on two fronts. First, the City needs to promote its positive aspects to developers, major retailers, and the general business community. In addition, the downtown area is perceived to lack the focus and "feel" of a dynamic downtown. Correcting this deficiency — and attracting major prominent retailers — would require a coordinated design program to improve the physical appearance of the downtown area. Such a program would begin with a study of the design aspects of downtown areas that make them successful. One outcome of this type of study would likely be the need for a public/private cornerstone project to bring a visual and perceptual focus to the downtown. Current study of the feasibility of a Redevelopment Project Area would also assist in implementing development projects using public incentives.

Office Market

As described previously, the downtown's current office market appears to be healthy, although newly constructed office buildings are experiencing lengthening lease-up periods due to a regional softening in the office market. It is expected that current under construction, planned, and proposed office space will absorb demand for the next several years. In future years, demand of about 100,000 to 125,000 square feet is forecasted for each five year increment.

At present, the Bay Area office supply is being developed in substantial quantities due to several factors other than employment-based demand. Federal tax laws provide substantial tax benefits to real estate investors, and office buildings have been a favored type of development for such investment. In addition, the Bay Area enjoys a national and international reputation as a unique location, attracting surplus capital for real estate investment from a variety of sources such as pension funds and offshore businesses. These factors result in a cyclical office development market, where supply is added in substantial amounts, absorbed slowly by growing businesses, and new supply is constructed.

It is anticipated that Berkeley's office market follows a similar pattern, and that the current group of office projects under construction represent a peak in the building cycle. Thus, current new supply will be absorbed, future office space will be demanded, and the private sector will respond by building in quantities that, over the long run, match demand. A balance between supply and demand is important for downtown Berkeley, so that employment and business growth can continue unconstrained. An oversupply of office space is not desirable from an economic perspective because it contributes to a declining image and an inefficient use of limited land and resources.

Residential Market

The strength of the residential market for all types of units in Berkeley indicates that downtown development of residential units of appropriate quality, design, and price would be absorbed. However, the economics of higher-density housing in a downtown such as Berkeley generally constrain housing production, especially in the middle price range which would be affordable to Berkeley's younger households. Thus, the City should consider exploring public incentives to encourage housing production in the downtown area such as Redevelopment Agency powers, density bonuses, land write-downs, loan funds, etc. The offering of public incentives will be especially important during the next few years, until a project or projects have been built and absorbed, providing concrete evidence to the development/financial community that such housing is marketable.

APPENDICES

APPENDIX A

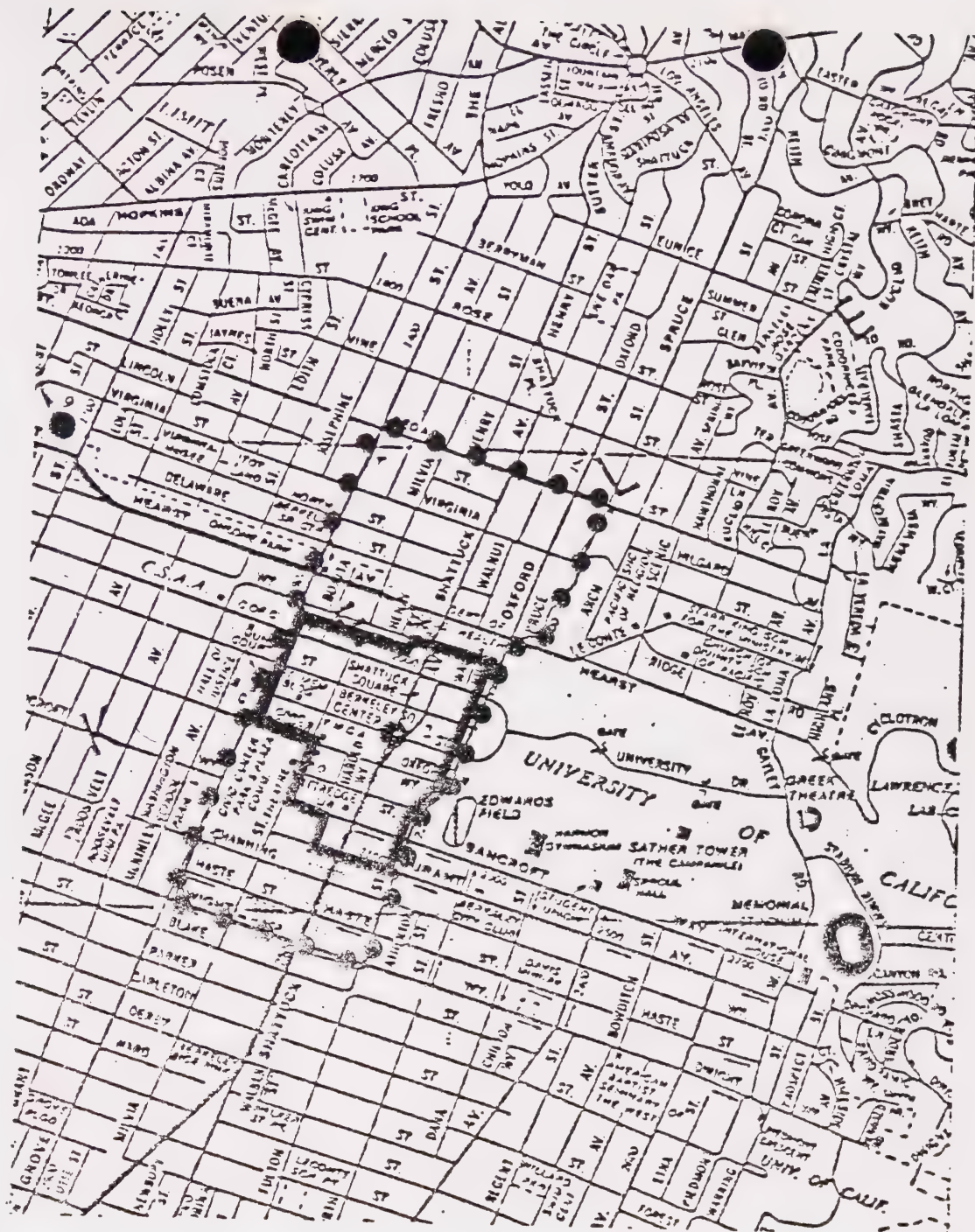
DEFINITION OF CENTRAL BUSINESS DISTRICT

Data for downtown Berkeley was obtained largely from the 1982 Census of Retail Trade, Major Retail Centers Series, published quinquennially by the U.S. Bureau of the Census. As noted earlier, the analysis in this report adopted the Census Bureau's definition and implications of CBDs.

The Census Bureau defines a CBD as:

The defined downtown retail area of an SMSA central city, or other SMSA city of 50,000 persons or more. A CBD is an area of very high land valuation; high concentration of retail businesses, offices, theaters, hotels, and "service" businesses; and high traffic flow. It is defined by existing census tract boundaries and consists of one or more whole census tracts, except for a few CBD's with census tracts which include areas outside the corporate limits of the city...Census tracts are small, relatively permanent areas into which large cities and adjacent areas have been divided to show comparable small-area statistics.

For Berkeley, the CBD includes the area bounded by Cedar Street, Spruce Street, Hearst Avenue, Fulton Street, Dwight Way, and Grove Street. This is roughly twice the area under consideration in the Berkeley Downtown Study Area, as shown on the attached map.



Berkeley Central Business District (CBD)
1980 Census



CBD



Study Area

APPENDIX B

MAJOR PROJECTS UNDER CONSTRUCTION, PLANNED AND PROPOSED IN THE EAST BAY September 1985

PROJECT/LOCATION	TYPE OF USE	GROSS SQ. FT.	STATUS OF APPROVALS	ESTIMATED COMPL. DATE	COMMENTS
EMERYVILLE					
Martin & Co. East of I-80 64th & 65th St.	Office (Phase I)	325,000	Proposal EIR in Process	1986	Approvals anticipated by Sept. 85. Construction by end of year. Three bldgs. of 3-5 stories. Height of building not definite. Developer claims to have tenant for each building.
Santa Fe West of I-80	Hotel Condo	300 rms 110 units	Application for GPA	N/A	Application for GPA amend. to designate and rezone site for commercial use. Developer is awaiting completion of GP prior to pursuing proposal. Alternative to resid. units is a 2nd hotel. Project is on 133 acres and will include a promenade and pier. Some land to be dedicated for City park.
Pacific Union NEC Powell & Christie So. of 64th St.	Office/ Comm.	800,000	Proposal	N/A	Two office towers. Project may include retail outlet use as part of new construction or rehab of existing building. Proposal height of 20 stories will probably be reduced.
Glenn Isaacson & Associates	Regional Shopping Center	700,000	Proposal	N/A	Regional shopping center. Project faces several planning obstacles including traffic problems and negotiations with landowners.
Goldsmith & Lathrop West of I-80	Office	200,000	Master Plan	N/A	Master Plan approval for area. Fourth office tower in M.P. Third tower recently constructed and now leasing. Fourth tower is controversial and faces strong opposition. Parking is a major concern.
Holiday Inn West of I-80 Christie So. of 64th St.	Hotel Conv't. Center	400 rms to 500	N/A	N/A	No proposal to date.

Kurt Heith SEC Powell & I-80	Hotel Retail	300 rms 80,000	Proposal	N/A	No formal application. Revised development plans include renovating old Box Craft building as part of development.
ALBANY					

Santa Fe West of I-80	Office	2,200,000 to 5,000,000	N/A	N/A	Albany Phase I Specific Plan. Preliminary land use plan only. Plan identifies waterfront development alternatives.
	Hotel Resid. Retail	163 rms 100 units 100,000			
EL CERRITO					

El Cerrito Plaza 304 El Cerrito	Retail	170,000	No Application	N/A	Expansion of existing shopping center to include a new major tenant. Owner of center is looking for anchor tenant before pursuing approvals. The center had discussed a joint parking garage with the City and Bart, but plans fell through.
RICHMOND					

Bart Site Marina Way & Barrett	Office	150,000	Proposal	N/A	Office project with some commercial space. Developer is waiting to sign a major tenant before continuing with development approvals.
Memorial Park Site McDonald & Marina	Office	100,000	Proposal	N/A	Office project with some commercial space. Developer is waiting to sign a major tenant before continuing with approvals.
Marina Bay Project	Resid.	4,000 units	Approved	N/A	New developer will be submitting project design. Previous project included 4,000 residential units and 2,000 boat slips. New design to include some commercial space.
Hilltop Office Park	Office Resid. Hotel	980,000 300 units 275 rms	Approved	1987-93	Completed office park will total 1.1 million sq. ft. to be phased over 10 yrs. A 16-story hotel and a 9 hole golf course are in negotiation.
Hilltop Village	Resid.	1,680 units	Approved	1985+	Hilltop Village to contain 680 units incld. 38 S.F. units and 642 multi-family. Prices from \$80,000 - 240,000. A separate resid. project contains 1000 apartment units on 40 acres. At buildout, Hilltop will have 3,000 resid. units.
Mikuni Berkeley Hilltop Indst. Park	R & D	2 acres	Approved	1986	Two acres approved for R & D space.

Britannica-Hilltop Business Center Hilltop Indst. Park	R & D	203,000	Approved	1986+	Project is on 16.6 acres.
Pacific Scene Hilltop Indst. Park	Office	60,000	Approved	1986+	N/A
Orosel Hilltop Indst. Park	R & D	130,000	Approved	1986	N/A
OAKLAND					
City Center Block of 14th, Broadway & Grove	Office/ Comm.	4,000,000 150,000	Approved	1990	Construction ongoing through the 80's. 12 block complex. Project includes 12 office bldgs., 150,000 sq. ft. retail, 4,000 parking spaces and 600 resid. units. Fourth office bldg. of 160,000 sq. ft. just completed. Project has completed 1 million sq. ft. office space with approvals for another 4 million.
City Center Rotunda/ Old Liberty House	Office Retail	250,000 128,000	Under Construction	Spring 1986	Construction of retail & office space. Glass domed rotunda. Developer desires mid to high end retail tenants.
Oakland Iron Works Phase II	Office	40,000	Approved	1986	Project includes 15,000 sq. ft. retail space and 6,000 sq. ft. restaurant.
2101 Webster St.	Office	415,000	Under Construction	1985	20 story office bldg. Project includes 1 story parking facility for 35 vehicles.
Old Oakland/ Victorian Row 8th-10th St.	Office Comm. Hotel	64,000 120,000 25 rms	Under Construction	1987	Victorian structures converted into mixed use project. Two & three story brick bldgs. 79,000 sq. ft. retail & 41,000 sq. ft. restaurant (anchors).
World Savings 1901 Harrison	Office	365,000	Under Construction	1986	12 story office bldg. with underground parking for 300+ spaces.
Asia Pacific Bldg. 367 9th St.	Office Comm.	10,000 15,000	Under Construction	1985	Commercial/office condominiums. Five story bldg. First floor retail, 2nd & 3rd floors restaurant, 4th & 5th floors office.
Cadillac Fairview 19th & Harrison	Office	500,000	Approved	N/A	Thirty story office building.

Chinatown Tower Broadway	Office Retail Resid.	50,000 45,000 200 units	Approved	1987	18 story building. Project includes parking facilities for 500 vehicles. Project has been delayed due to landownership and financing problems.
Chinatown Redev. Project	Office Hotel Resid. Retail	600,000 300 rms 250 units 50,000	Proposal	1987-88	City to select developer for project. Project will include 2 office towers, a community center, and possibly a hotel instead of the 3rd office bldg. Parking for 1675 vehicles. EBMUD bldg is part of project. Two towers include a 350,000 sq. ft. bldg. and the EBMUD bldg.
Bechtel Bldg. Broadway, Clay & 11th St.	Office Retail	242,000 8,000	Requires Council Review	N/A	Part of City Center Development. Office Bldg. V. 12 story building.
City Center Dev. Hotel Project	Hotel	300 rms	Approved	1986	First class hotel & 14,000 sq.ft. banquet facilities. Parking garage for 500. 20 story building.
EBMUD Headq. Franklin, Webster, 9th & 10th St.	Office	240,000	Approved	1987	Part of Chinatown redevelopment. EBMUD will occupy most of building, but may lease out 50,000 sq. ft. or less.
Far East Comm. Plaza 9th & Clay St.	Office/ Comm.	29,000	Approved	1985	Office/commercial condominiums. 3 story building.
Housewives Market 9th & Webster St.	Retail	300,000	Approved	N/A	N/A
Kaiser Center 20th & Webster	Office	4,500,000	Approved	N/A	Project has been put on hold. Developer lost major tenant.
Oakland Intl. Trade Center Phase III	Office	275,000	Approved	N/A	Project includes 215,000 sq.ft. parking.
Jack London Square Port of Oakland	Office Retail Hotel	250,000 150,000 300 rms	Approved	1988	Mixed use project. 117 specialty shops (small tenants - none larger than 8,000 sq. ft.), Sheraton Hotel. Parking garage for 1,000 vehicles and undg. parking for 300.
Lake Point Towers Lakeside Drive, Madison & 17th St.	Resid.	400 rms	Approved	N/A	Renovation of Lake Merritt Hotel and demolition of adjacent apartment building for rental units.

Downtown Urban	Comm./	600,000
Retail Center	Retail	to
Downtown Oakland		1,000,000

No Application N/A

Downtown urban retail center to be located
near to Emporium-Capwells. Part of
Redevelopment Agency study area.

APPENDIX C
SURVEY OF EXISTING AND NEW OFFICE SPACE IN
DOWNTOWN BERKELEY
October, 1985

<u>Building Name & Location</u>	<u>Year of Completion</u>	<u>No. Bldgs: No. Floors</u>	<u>Gross Building Area (Sq. Ft.)</u>	<u>Net Building Area (Sq. Ft.)</u>	<u>Vacancy Rate (Approximate)</u>	<u>Monthly Rent Per Sq. Ft.</u>	<u>Load Factor</u>	<u>Comments</u>
Existing Office Space								
Great Western Building 2150 Shattuck	1970	1:13	N/A	135,762	2%	\$1.95- \$2.00 NRA Full Service	11.75% (Approx.)	Rents are weighted: \$1.95 up to 6th floor; \$2.00 from 7th-13th floors.
Merrill, Lynch Building 2001 Addison	1984	1:3	29,857	27,596	16% (Approx.)	NRA Full Service	Yes	Owner unwilling to reveal rental rates. Leasing agent estimates \$1.25-\$1.50 per sq. ft. The third floor still partially vacant, probably approximately 50% (4,500 sq. ft.)
Wells Fargo Building 2144 Shattuck	1928 Renovation in progress	1:12	N/A	40,000 Approx.	0% (see comments)	\$1.65- \$1.95 NRA Full Service	14% (Approx.)	Building is being renovated 2 floors at a time - 6 phases. First phase in progress. Building currently 81% occupied. However vacant space is under construction and no space is available. When renovation is complete, available space will be filled. Monthly rent varies between \$1.65 and \$1.95 depending upon floor, side of building, view, etc. Tenants include real estate office, medical offices, Kelly Services, etc.

Lynn Sedway & Associates

Source: Lynn Sedway & Associates. November 1985.

Appendix C (continued)

<u>Building Name & Location</u>	<u>Year of Completion</u>	<u>No. Bldgs: No. Floors</u>	<u>Gross Building Area (Sq. Ft.)</u>	<u>Net Building Area (Sq. Ft.)</u>	<u>Vacancy Rate (Approximate)</u>	<u>Monthly Rent Per Sq. Ft.</u>	<u>Load Factor</u>	<u>Comments</u>
Constitution Square	N/A	1:N/A	N/A	33,626	0%	\$1.90 gross for office; \$2.25 plus average for retail.		Rehabilitation project includes 25,032 sq. ft. office and 8,594 sq. ft. retail. Pre-leasing took one year. Tenants include: Clothestime, shoe store, Petite Boulangerie, See's Candy, U.C. Media Center, GE Software and a consulting firm.
1950 Addison	N/A	1:2	N/A	22,000	0%	\$1.20- \$1.70 NRA Full Service	6-8%	Recent rehabilitation project. Rents vary depending upon location in building, etc. Lease terms subject to negotiation. Tenants are professional: lawyers, financial consultants, etc.
-48- New Office Space								
2030 Addison	1986 April/May	1:7	N/A	33,924 total (29,324 office; 4,600 retail)	68%	\$1.90- \$2.00 NRA Full Service	N/A	Building includes 29,324 sq. ft. office and 4,600 sq. ft. retail. Load factor has not been determined. Pre-leasing started in May or June, 1985. Two floors leased-one to ELS Design Group, the second to law offices. Ground floor will be retail.

Lynn Sedway & Associates

Appendix C (continued)

<u>Building Name & Location</u>	<u>Year of Completion</u>	<u>No. Bldgs: No. Floors</u>	<u>Gross Building Area (Sq. Ft.)</u>	<u>Net Building Area (Sq. Ft.)</u>	<u>Vacancy Rate (Approximate)</u>	<u>Monthly Rent Per Sq. Ft.</u>	<u>Load Factor</u>	<u>Comments</u>
Fulton & Durant	1986 November/ December	1:6	97,000 total	N/A	N/A	N/A	N/A	Building Includes 85,000 gross sq. ft. office; 12,000 gross sq. ft. retail Pre-leasing to begin in approx. 3 months. If leasing today, the rates would probably be \$1.95 NRA Full Service for office, and \$2.00-\$2.25 for retail. Environmental Impact Report recently completed and currently being reviewed by the City. So far, an engineering firm and a computer analysis firm (software) have expressed interest in leasing space.
2150 Kitteredge	1985 (Under Construction)	1:5	N/A	24,000	65%	\$1.95 NRA Full Service	20.33%	Building Includes 20,000 sq. ft. office and 4,000 sq. ft. retail. Retail portion still under construction. Pre-leasing started 2-3 years ago. Owner currently collecting rent on 7,000 out of the 20,000 sq. ft. office. Tenants are: 1) Mini-Max Research; 2) a financial planner; and, 3) Berkeley Commercial Realty. A fourth tenant is in default on lease. Tenants have been in building for approximately 6 weeks.
Golden Bear University Avenue	1986 (3rd quarter)	N/A	170,000	N/A	N/A	\$2.15 Full Service	N/A	Project currently under construction; it includes 140,000 gross sq. ft. office 30,000 gross sq. ft. retail. Retail space expected to attract service oriented businesses, maybe an insurance agency, a bank, a restaurant, etc. Leasing just started - no tenants. Asking \$2.15 full service.

Source: Lynn Sedway & Associates. November 1985.

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